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SECURITY AND DEVELOPMENT ASSISTANCE

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

FEBRUARY 17 AND 25, 1983—COMMITTEE ON FOREIGN RELATIONS
MARCH 2, 1983—SUBCOMMITTEE ON NEAR EASTERN AND SOUTH ASIAN AFFAIRS
MARCH 8, 1983—SUBCOMMITTEE ON AFRICAN AFFAIRS
MARCH 9, 1983—INTERNATIONAL NARCOTICS CONTROL—COMMITTEE ON FOREIGN RELATIONS
MARCH 9, 1983—SUBCOMMITTEE ON EUROPEAN AFFAIRS
MARCH 11, 1983—SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS
MARCH 14, 1983—SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS

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SECURITY AND DEVELOPMENT ASSISTANCE

THURSDAY, FEBRUARY 17, 1983

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Charles H. Percy (chairman of the committee) presiding.

Present: Senators Percy, Boschwitz, Pell, Sarbanes, and Tsongas.

The CHAIRMAN. The Senate Foreign Relations Committee meets today to consider the President's recent security assistance proposals for fiscal year 1983 and fiscal year 1984.

The committee room is much more tranquil than it was yesterday. [Laughter.]

The subject matter, however, is equally complex. The administration intends to transmit two supplemental bills for our action, which together would add about $1 billion to the $7.8 billion already provided for fiscal year 1983 security assistance programs and the continuing resolution [CR]. For fiscal year 1984, the administration seeks $9.2 billion for security assistance programs, a modest request over the fiscal year 1983 request but a $1.4 billion increase over the existing continuing resolution.

The Congress, therefore, faces really quite difficult choices in making decisions on these administration requests. On the one hand, there is no question but that these programs are important to the administration, to the Congress, to the country—certainly to the President's Middle East peace initiative which is so strongly backed in this country. These are important programs integral to U.S. base rights agreements which are essential, and they finance arms sales to help U.S. allies defend themselves.

On the other hand, in the face of an $190 billion budget deficit in fiscal year 1984, this committee will want to make its contribution to reducing that deficit.

Our witnesses today, therefore, face the difficult task of justifying increases in security assistance at a time of more than 10 percent unemployment in the United States.

All of us have had our batteries recharged or drained as a result of being back home, traveling around our respective States for some 9 or 10 days. I would not say that the security assistance and economic assistance programs, both of them, are at the top of the popularity list at home. Illinoisans want to see this deficit down and they want to see interest rates down. They want to know what we are going to do about it.

So, we have a tough time explaining the importance of these programs to the national security interests of the United States of America and justifying the cost to the taxpayers.

We have very able witnesses today who, I think, can help with that. Our witnesses include Hon. William Schneider. We are happy to have Bill Schneider back with us, now as Under Secretary for Security Assistance, Science and Technology in the Department of State; Lt. Gen. Philip Gast, Director, Defense Security Assistance Agency, Department of Defense; Peter McPherson, Administrator, Agency for International Development.

Senator Pell, I have an urgent call from Senator Baker. If you would be good enough to give your opening statement and then start off the hearing, I will be right back in.

Senator PELL. Thank you, Mr. Chairman.

My welcome, particularly to Mr. McPherson whom we admire very much, is real. But just as the chairman said, we have very tough problems in our home States trying to explain exactly why the aid program is of help to the United States and to the peace of the world.

I would be grateful if one of you would imagine that you were on the hustings yourself and you are faced with an angry crowd of people who are hungry, jobless, chilly, cold, and wondering why the devil we should send millions, much less billions, of dollars overseas when these people are in miserable conditions themselves.

I would like to hear you say, one, two, three—and imagine you are up for election—what would you tell them? Maybe you can give us some ideas of what you would say.

So far, out of these hearings, no specific suggestion of that sort has come. And I don't want to hear four-syllable words. Remember, the majority of Americans—at least in my State—do not even have a high school education, many of them over a certain age. So, in one- or two-syllable words, what would you say? It would be a help to us, and that is why I ask you to do that.

Now, my general concern about this program relates to the overall shift in the foreign aid program under this administration. This is graphically illustrated by a comparison of the figures.

For example, in 1981, the first year of the administration, the proposal was $1.6 billion for development aid and $5.4 billion for security assistance. In 1984, 3 years later, the amount for development aid is almost the same, $1.8 billion—and it is actually decreasing in real terms—but when it comes to security assistance it is going up to $8.2 billion or an increase of 50 percent.

I think very often we and the press see only the trees and do not see the forest. And when you look at the forest here, what you have done is to keep development aid as it was and increase security assistance by 50 percent. That says it in simple terms. But I would like to know what the reason for that is. It is a direction that I would disapprove of and would like to see it go in the reverse direction, more for development aid and less for security assistance.

Now, my specific concern relates to the administration's proposals for Greece, Turkey, and Cyprus. For reasons we all know, our relations have remained delicate for a good many years. I can remember when I was the only individual in this committee who was

pushing to oppose the Greek junta. Over the years we have, generally speaking, adopted the wrong policy vis-a-vis the Greeks.

The state of our relations there is not good. As you know, Mr. Papandreou was elected on a platform weighted with anti-American rhetoric, and that rhetoric still continues to a certain degree.

The recent announcement of the Reagan administration's new security assistance request has cast a shadow on any possibility of better relations with the Greeks. Not only has the administration proposed fiscal 1984 aid figures that would depart grossly in Turkey's favor from the 7-to-10 norm, it also presented a supplemental request for 1983 that would in this very fiscal year raise Turkey beyond the 7-to-10 ratio mandated by Congress only 2 months ago.

Specifically, the administration's plans envisages providing Turkey an additional sum of money, thereby dropping the 1983 ratio to about 6-to-10 and then, in 1984, moving it further to Turkey's advantage to 3.5-to-10, as opposed to the present 7-to-10 ratio.

The result of this announcement—a result as regrettable as it was absolutely predictable—has been an outcry from the Papandreou government and a hardening of the Greek position in our bilateral negotiations.

What makes this particularly disturbing is that in Turkey we have an authoritarian, nondemocratic government—nobody would call that democratic by any stretch of the imagination—and in Greece we have, theoretically, the kind of government we approve. They may have elected a party or officials whom the administration may dislike, but the Greeks have a form of government, a democracy, which we do support.

So, for these reasons I would be interested in your explanation for changing the ratios.

Finally, we come to the unceremonious assault on Greek interest and sensitivity as it relates to Cyprus. For fiscal 1983, in direct disregard of an explicit legislative earmark of $15 million in economic support funds for that unfortunate and divided nation that has been forgotten by the United States, the administration has allocated only $5 million, declaring that if necessary it would exercise a special waiver authority, normally used only under extraordinary circumstances, to circumvent the congressional mandate.

As if to underscore this message of indifference, the administration's proposal for fiscal 1984 slashes the annual Cyprus program by 80 percent, from its $15 million norm to a level of only $3 million.

There is, of course, still time and opportunity for Congress to determine the final level of American assistance to Greece, Turkey, and Cyprus for 1983 and 1984. But I do feel constrained to express concern that through imprudent timing and bad judgment the administration may have done unnecessary damage to our interests in that region of the world.

This is a subject that I hope you will address in your words today.

Senator Boschwitz.

Senator BOSCHWITZ. I have no opening statement other than to say I will be interested to hear not only from Secretary Schneider but from Mr. McPherson and General Gast what they would say to

constituents, or what they would recommend we say to our constituents.

I am interested in the other things that Senator Pell also mentioned but I do not want to move you away from that. Maybe we can get some good ideas.

The CHAIRMAN. Senator Tsongas, would you like to make any opening comments?

Senator TSONGAS. Just one comment, Mr. Chairman. By dint of my heritage I am in a position of, hopefully, having some influence in relations between Greece and the United States, and we have attempted to improve those relations and we could use some help.

The fact is that as a Greek American I have been critical of some of the rhetoric that comes out of Athens because I do not think that is helpful. I think a lot of it may have a political motivation but I would hope that countries get to the point of some maturity. You do not have to engage in that kind of thing.

But this requested aid to Turkey reverses dramatically any hope that the relationship can get better. I do not know whether anyone on this committee had any inkling that this was coming, but my own view is that the amendments will be changed and that some kind of balance will be restored.

So, we end up in the worst of both worlds. That you not only get the Greeks upset and then somewhat mollified but still bitter, but the Turks are going to be upset because the original hopes will not be forthcoming.

I would just like to say, I have never quite understood the argument, the geopolitical importance of Turkey, that would demand these kinds of numbers. I can see balance.

This has happened, by the way, long before the Reagan administration came to power, it is a bipartisan view and I, for one, have never quite understood it and would be curious to see if it could be defined this morning.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator BOSCHWITZ. I share that viewpoint that my colleague from Massachusetts said was a curious means of increasing aid to one and not the other—particularly in the midst of negotiations for bases. I am not quite sure what the thinking process was there.

The CHAIRMAN. Thank you.

Secretary Schneider, if you would continue.

STATEMENT OF HON. WILLIAM SCHNEIDER, JR., UNDER SECRETARY FOR SECURITY ASSISTANCE, SCIENCE AND TECHNOLOGY, DEPARTMENT OF STATE

Mr. SCHNEIDER. Thank you very much, Mr. Chairman. It is a privilege to appear before this committee to discuss the administration's security assistance program.

I share Senator Pell's concerns about doing a better job not only from the administrations perspective but in helping Members of Congress who have stood by the foreign assistance program for so many years explain the significance of the program and its importance to our own country and to our citizens, so that we can have a stronger base of support. I fully understand the problems the for-

eign assistance program has in the country, particularly in these difficult economic times.

Mr. Chairman, I have a rather encyclopedic-length regular statement and, with your permission, I would like to submit that for the record and read a briefer, condensed version of it.

The CHAIRMAN. Without objection, then, the full statement will be incorporated in the record and you can summarize it as you see fit.

Mr. SCHNEIDER. Thank you very much, Mr. Chairman.

U.S. foreign assistance programs constitute an integral part of the Nation's reponse to international political and economic development throughout the world. Resources provide us with the means to exercise leadership internationally and enable us to help developing countries address their most pressing problems.

Secretary Shultz, in his testimony before you on Tuesday, discussed in detail questions related to international trade and finance.

Senator BOSCHWITZ. You do not happen to have a copy of the abbreviated statement, do you?

Mr. SCHNEIDER. We may have some. We will get one up to you.

I am here today to discuss U.S. security assistance programs. Both subjects are closely related and, I would argue, are in fact just different sides of the same coin.

We have developed an integrated foreign assistance program in which development and security assistance combine to meet our economic and national security objectives as well as those of other countries who share these objectives. Security assistance is but one aspect of the whole. Assistance to promote economic growth and development and security assistance are mutually reinforcing programs that cannot function independently.

The United States has multiple interests involving the developing world. Our self interest requires that we pay close attention to events in sometimes seemingly remote corners of the Third World. On the economic level, about 40 percent of U.S. exports are to less developed countries. U.S. industry depends on imports of primary commodities, minerals, and petroleum. Economic progress in the developing countries and recovery in the industrialized countries cannot occur independent of regional security and stability.

U.S. defense planning and security assistance are also closely linked. The United States alone cannot maintain a force structure sufficient to defend the entire free world. We depend upon allies and factor their capabilities into our planning.

Security assistance is cost-effective. It would cost us $60,000 per year to equip and maintain one U.S. soldier in Turkey, should that be necessary, while it costs only $9,000 for a single Turkish soldier to perform the same function.

Security assistance enables us to maintain cooperative relationships necessary for our strategic planning. For example, the Rapid Deployment Force [RDF] cannot perform its mission in a Southwest Asian contingency unless it can move into the area promptly, equipped to fight as necessary. This requires enroute access and transit rights as well as prepositioned equipment and supplies in the region. We cannot expect other nations to cooperate with us unless we are equally responsive to their legitimate needs.

The military security assistance programs are managed by the Department of Defense in conjunction with U.S. procurement so that both the United States and the foreign buyer reap the benefits of consolidated planning and economies of scale. Cutting back on foreign sales by the United States will only serve to raise the costs of our own purchases.

Security assistance helps to maintain a strong defense industrial base in the United States. Virtually all security assistance resources are spent in the United States on U.S. equipment and services.

Finally, allies and friends who are able to deter and defend against local threats provide the President time and choices in a crisis situation. The President would not be faced with the sudden choice of intervening directly with U.S. forces at the request of an ally, or acquiescing to aggression.

One aspect of the security assistance program that bears special mention is the economic support fund [ESF]. A question was raised during Security Shultz' testimony on Tuesday by Senator Dodd as to whether or not ESF is simply another form of credits for military purchases.

This, I think, in part accounts for some of the differences in view as to the relative emphasis between economic and security assistance in our overall foreign assistance program.

To the question of whether or not ESF is simply another form of credits for military purchases, I would argue the answer is an unequivocal "no." We do program a major percentage of our economic support funds to countries where we also have a significant military assistance program. But we use ESF to address economic problems in a way that both complements and enhances the military assistance we provide. Economic stabilization, much less sustained growth, cannot be achieved without political and military security.

Ordinarily, I would focus only on our fiscal 1984 request. However, the fiscal 1983 continuing resolution under which we are operating does not provide adequate funds to achieve necessary national security objectives. Our problems are accentuated further by the extensive earmarking in the authorization legislation and the continuing resolution itself. The administration is obliged, reluctantly, to seek additional funding for the current year, coincident with our request for fiscal year 1984.

The first of the two supplemental authorizations we are seeking is a $251 million request to help restore peace and stability in war-torn Lebanon. This is a one-time special reconstruction package. In fiscal 1984 and beyond, we expect to revert to traditional levels of assistance. The Lebanon supplemental has three components.

The first is $150 million in economic support fund grants. These funds, together with funds from other donors, will help the Lebanese Government rebuild its shattered economic infrastructure.

The second part is $100 million in FMS [foreign military sales] guaranteed loans. This will allow the Lebanese armed forces to purchase equipment necessary to assure full responsibility for security in Lebanon as a necessary condition for the withdrawal of all foreign forces.

The third component is $1 million in the international military education and training [IMET] program. This will send U.S. train-

ing teams to Lebanon and bring Lebanese military officers and enlisted crews to the United States for specialized training.

I am certain that members of this committee recognize the very important national interests that are at stake in ending hostilities and promoting the withdrawal of all foreign forces in a manner that promotes lasting peace and stability.

The question is not whether we should participate in Lebanon's recovery nor whether we should help develop the capacity to defend its national integrity, but only how quickly we can bring about these goals. I urge you to consider this supplemental request on an urgent basis.

Our other supplemental authorization request also requires urgent attention. In these times of economic constraints and domestic belt-tightening, it takes a really grim and serious situation to come before the Congress to ask for more foreign assistance. This request we believe, however, is not only justified but one on which we have simply no responsible alternative.

The continuing resolution is $961 million or 11-percent below the amount we requested for security assistance in 1983. This means cuts of 48 percent of the military assistance program [MAP] 17 percent in the international military education and training program, 16 percent in the FMS guaranteed loan program, and 8 percent in the economic support fund.

The problem is that more than half of the MAP, ESF and foreign military sales guaranteed loans are earmarked, thereby magnifying the reductions to be absorbed by the remaining unearmarked countries. For instance, the effective cut for unearmarked countries averages about 70 percent in MAP and 50 percent in FMS.

We cannot carry out an effective security assistance program with such extensive reductions. We face unacceptable choices as to which critical interests to fulfill and which to sacrifice. At risk are not only our access to bases and our relationship with treaty allies, but also the Nation's ability to assert leadership as a reliable partner with a global foreign policy.

We do not seek total restoration of all differences between our request and the continuing resolution level. We are requesting $167 million in additional MAP appropriations of which $142 million requires authorization. We are seeking $144.5 million more in economic support fund appropriations of which $82 million requires new authorization, and $425 million in FMS guaranteed loans.

The major MAP recipients will be Sudan, Tunisia, Thailand, and Kenya. As I noted earlier, $50 million in forgiven foreign military sales credit is earmarked in authorization legislation for Sudan. Yet, no funds were appropriated.

Major economic support fund recipients are Turkey, Sudan, Zimbabwe, the Dominican Republic, and Cyprus. The administration remains committed to fostering Caribbean economic growth and stability. The supplemental is also important to this endeavor.

We are asking for supplemental funds to meet congressional earmarks for Cyprus and for added funding for the Middle East program which promotes cooperation between Israel and Egypt.

The off-budget guaranteed loan request will restore programs levels for Pakistan, Korea, Turkey, Tunisia, Jordan, and Indonesia. These programs are keyed to specific purchases of needed defense

weapons. Several smaller country programs require funding to prevent them from being eliminated altogether.

Now let me move on to what would normally be the only subject of my testimony today, namely the fiscal 1984 security assistance authorization request.

We are requesting a total security assistance program of $9.2 billion, requiring $4.8 billion in new fiscal 1984 budget authority. There is no real growth. In fact, the program represents a modest 4.4-percent increase over our revised request for fiscal 1983.

By program, we are seeking authorizations of $697 million in the military assistance program which is essential to provide increased military inputs to our allies at more concessional rates, a virtual straight lining of the economic support fund at $2.9 billion, $56.5 million in the international military education and training program, and $4.4 billion in off-budget FMS guaranteed loans.

We are requesting $1 billion in forgiven FMS direct credits for Israel and Egypt, and a peace keeping operations [PKO] contribution of $46.2 million for the multilateral force and observers in the Sinai and the United Nations Forces in Cyprus.

These figures are determined by an interagency process in which our key strategic objectives are established and coordinated with foreign policy and defense planning. Since I have just returned from accompanying the Secretary on a trip to East Asia, I would like to discuss that vital area of the world first.

For the Pacific, we are requesting $506 million for 10 countries—about 5.5 percent of the total security assistance request. The bulk of the funding goes to countries with which we have firm mutual security agreements. More than 85 percent goes to only three countries: $230 million to Korea to purchase aircraft, armor, and artillery necessary to offset the huge quantitative edge held by North Korea; $106.4 million for Thailand for defensive equipment to defend Thailand against the 180,000 Soviet-backed Vietnamese Forces across their eastern border—a force which only last week penetrated the Thai border; and the Philippines, to fulfill the final year of our 1979 base agreements pledge.

A fundamental U.S. objective, requiring the largest percentage of funds, is to the Middle East peace process. Nowhere is there a need for consistency, reliability and balance in U.S. foreign policy more evident than in the Middle East. Our policy goals in the region are based on two mutually reinforcing objectives. The first is a search for a just and lasting peace among all the States in the area and, second, a requirement that our friends in the region be able to assure their security against threats from forces outside and within the region.

United States assistance programs to Israel and Egypt reflect our best appraisal of their real needs and our own budget constraints worldwide. Our programs are designed to help give these nations the confidence necessary to continue on the path toward peace that began at Camp David.

Lebanon and Jordan are also critical to peace and security in the Middle East. I spoke earlier about Lebanon in the context of our fiscal year 1983 supplemental. Our continued support for Jordan increases its ability to remain a viable and moderate actor in the region and encourages it to assume an active role in the peace

process. Our FMS loans would go to improve Jordan's armor, artillery, and airlift capability.

For fiscal 1984, we would devote about 51 percent of our total security assistance program to our Middle East peace effort.

In Europe, our assistance will facilitate needed modernization of NATO's southern flank and support continued access to important bases.

Portugal and Spain hold an important position along the principal lines of access to Europe and the Middle East and Southwest Asia. Basing facilities in the Azores and continental Portugal are key to NATO reinforcement, antisubmarine warfare operations and possibly out of area contingencies. The fiscal 1984 FMS and MAP request of $105 million will provide a second squadron of A-7 aircraft, the startup of an antisubmarine warfare frigate program, increased P-3 maritime patrol aircraft program, and a C-130 airlift capability.

Spain's decision to join NATO is a historic milestone on the road to that nation's full reentry into the West European community. It underscores Spain's desire to reinforce its democratic institutions. Our $400 million request serves to solidify progress in this direction.

Our defense cooperation with Turkey undertakes to assist the Turkish effort to modernize their dangerously obsolescent military inventory. We are requesting $755 million to help Turkey purchase a wide variety of equipment, including replacements for its obsolete fighter aircraft and equipment for its ground forces in eastern Turkey which face modern Soviet motorized rifle and armored divisions in very substantial numbers. Turkey is at a crossroads facing the same direct military threat that the Soviets pose to Southwest Asia. In this regard, Turkey happens to be in a critical geostrategic position in the NATO alliance which in our judgment justifies the magnitude of the effort being made.

We have straight lined the Greek program only because base negotiations are currently underway. To do otherwise would compromise our ability to reach a reasonable agreement. We have told the Greeks, however, that we are prepared to request additional funds in the context of a satisfactory defense cooperation agreement. This recommendation was consistent with the recommendations made by professional diplomats engaged in the negotiations.

We intend to commit $1.7 billion to the southern tier states of Spain, Portugal, Greece, Turkey, and Cyprus.

Southwest Asia remains the critical source of energy for the free world. Most of the countries face severe economic problems and potential subversion or regional threats—in many cases supported by the Soviets or their proxies.

Our 5-year program of military modernization and economic assistance will help Pakistan to meet the Soviet threat from Afghanistan and facilitate the economic development that is essential to its internal stability. A Pakistan more confident of its security has less need and motivation to develop nuclear explosives.

The $300 million FMS package will be used for progress payments on the $1.7 billion package of military assistance already underway, including F-16 aircraft. As you know, the first six F-16 aircraft recently arrived in Pakistan, and the reaction was over-

whelmingly positive for United States-Pakistan security relationships.

Sudan, Morocco, and Tunisia all face the threats of subversion or aggression emanating from or supported by Libya. Sudan also faces a significant potential military threat from Ethiopia. Our assistance will help provide critically needed defense equipment and spare parts. These countries have difficult economic problems and as a consequence it must be in grant form to avoid adding to already excessive economic burdens.

Along the Indian Ocean littoral in Oman, Kenya, and Somalia, we seek to encourage economic self-reliance and development of defense capabilities consistent with economic realities. Countries like Oman, situated at the strategic entrance to the Gulf of Hormuz, the Straits of Hormuz, count as a key feature in our own defense planning for the region.

We plan to commit $1.1 billion to this region, or 12.9 percent of our security assistance request for the 12 countries whose cooperation is essential to the implementation of our Southwest Asia policy.

We face a major challenge in the Caribbean Basin, where Cuba has sought to exploit socioeconomic problems and military vulnerabilities. In fiscal year 1982, the CBI [Caribbean Basin Initiative] supplemental was never intended as a panacea for all problems. We must continue to provide economic resources until increased investment, a strengthened private sector, and expanded export markets enable these countries to achieve more economic self-sufficiency, and we must help with sufficient military assistance to meet the continued military threats to peace in that region.

El Salvador, where the guerrillas seek to destroy the economy and take over a government put in place by a popular election, would be the largest single recipient of both economic and military assistance in the Caribbean Basin.

The Salvadoran economy has contracted by 25 percent since 1978. We have allocated $140 million of economic support funds for fiscal 1983 and are requesting $120 million for fiscal 1984 in an effort to restore production in what was one of Latin America's most efficient economies.

We are also determined to provide El Salvador with the military equipment necessary to prevent the guerrillas from subverting the government as it works toward elections in early 1984.

Honduras faces a severe economic decline and a large military buildup in neighboring Nicaragua. Costa Rica's rapidly deteriorating economy will require substantial assistance while fundamental reforms are effected. Jamaica will continue to need substantial assistance in order to restore the vitality of its private sector. Other economies in the region, including Guatemala and the Dominican Republic, also require substantial amounts of economic assistance as they address economic and social problems too long ignored.

Under the security assistance rubric we intend to devote about $558 million, or 6.1 percent of the total, to CBI countries and regional programs.

We also propose in fiscal 1984, in addition to these areas of primary strategic assistance to a number of other countries in troubled parts of the world. These include southern Africa, where we

are seeking to advance the peace process; west Africa, where financial difficulties open the way for exploitation by Libya, and Latin America, where President Reagan's recent trip underscored our commitment to seek solutions to the key problems of our southern neighbors.

Mr. Chairman, I would now like to mention very briefly several of our legislative proposals for fiscal 1984. These include new proposals, together with some of those submitted to you last year. Our proposals are limited to those essential to the effective operation and administration of the programs. General Gast will also speak to some of these proposals specifically.

We seek to change section 21 of the Arms Export Control Act to simplify the current multiyear pricing structure on sales of training.

The administration is proposing enactment of a provision that would reduce earmarks when operating under a continuing resolution to the same porportion of total funds available under the CR as the original earmark was to the total funds available for the relevant account in the law which established the earmark.

We recognize, Mr. Chairman, that the Congress may not authorize and appropriate all the funds that have been requested. When funds are reduced, however, earmarking places us in a straightjacket which prevents rational country allocations.

Secretary Schultz in his testimony yesterday before the House Foreign Affairs Committee also expressed his deep concern about the problems we face due to earmarking.

We propose to amend section 515 of the Foreign Assistance Act to add 9 new countries to the 12 currently authorized to have more than six uniformed personnel. This will insure that we have adequate numbers of personnel to manage the security assistance programs in Pakistan, Tunisia, Yemen, Liberia, Sudan, Zaire, El Salvador, Honduras, and Venezuela.

We also propose to add Korea to the short list of countries authorized to receive extended payment terms of FMS guaranteed loans. I know, from my recent trip to Korea, how important this can be in helping to support Korea's modernization effort.

We are proposing to add a waiver authority that would allow the President, on a country-by-country basis, to permit countries to keep the proceeds of sales when it is in the U.S. national interests to do so. All applicable legal and policy controls on third-country transfers would continue to apply on any sales of this equipment.

In fiscal 1983, we are also requesting:

Authorization of an antiterrorism training program of $5 million.

Removal of prohibitions against assistance to mainland China.

Permission for reciprocal no-cost training on a one-for-one basis for professional military personnel at war colleges and command staff colleges.

Establishment of a threshold of $50,000 on reprograming notices to the Congress for international narcotics and IMET programs.

Mr. Chairman, we are presenting the Congress with several proposals—two fiscal 1983 supplemental authorization bills plus the regular fiscal 1984 bill. We request your urgent and careful consideration of them. The legislative and budgetary requests have been

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scrutinized thoroughly within the administration and meet all of our essential criteria in a very tight budget year.

None of these figures are intended to set a cash value on a relationship between the United States and the recipient country. Nor do they in all cases indicate the total amount of assistance we propose to provide, for many will receive various other types of development assistance as well.

Adequately funded, efficiency administered, security assisted programs are essential to U.S. defense planning. Without them, our own defense effort would be far more costly and, in times of crisis, even dangerously crippled. Without the resources we have requested, we cannot meet the national security objectives that this administration has laid out, nor can we conduct a coherent and responsible foreign policy.

This concludes my prepared statement, Mr. Chairman.

[Mr. Schneider's prepared statement follows:]

PREPARED STATEMENT OF HON. WILLIAM SCHNEIDER, JR.

U.S. foreign assistance programs constitute an integral part of this Nation's response to international political and economic developments throughout the world. Resources provide us with the means to exercise leadership internationally and enable us to help developing countries address their most pressing problems.

Secretary Shultz, in his testimony before you Tuesday, discussed in detail questions related to international trade and finance. I am here today to discuss U.S. security assistance programs. Both subjects are closely related.

We have developed an integrated foreign assistance program in which development and security assistance combine to meet our economic and national security objectives as well as those of other countries who share these objectives. Security assistance is but one aspect of the whole. It is important to keep in mind that assistance to promote economic growth and development and security assistance are mutually reinforcing programs that cannot function independently.

The United States has multiple interests involving the developing world. On the economic level, about 40 percent of total U.S. exports are to less developed countries. U.S. industry depends on imports of primary commodities, minerals and petroleum. Open trading and financial systems are important to the economic health of developed and developing countries alike. Economic progress in the developing countries and recovery in the industrialized nations cannot occur independent of regional security and stability. A sense of security from external threat and internal upheaval is a necessary precondition of development, and our own self interest requires that we pay close attention to events in the sometimes seemingly remote countries that are commonly referred to as the third world. It is only at our own peril that we ignore or fail to respond wisely to their security and development needs.

As it is integral to our foreign policy, so too is security assistance an inseparable ingredient of our own defense planning. This administration has sought to enhance the security of the United States and to strengthen its ability to protect its interests in various regions of the world. This requires increasing our own defense capabilities and conducting effective diplomacy. In part, however, it also requires a realistic increase in security assistance to allies and friends around the world.

The link between U.S. defense planning and security assistance is direct and occurs at several levels. The United States alone does not and cannot maintain a force structure and capabilities sufficient to defend the free world. We must depend upon allies to deter local threats to our common interests. We factor their capabilities into our planning and the security assistance programs is the vehicle for providing them the necessary equipment and training. It would cost $60,000 to equip and maintain one U.S. soldier in Turkey, should that be necessary; it costs only $9,000 for one turkish soldier, thus, security assistance is cost-effective.

Second, security assistance enables us to maintain cooperative relationships necessary for our strategic planning. For example, the rapid deployment force cannot perform its mission in a Southwest Asian contingency unless it can move to the area promptly, equipped to fight as necessary. This requires enroute access and transit rights as well as prepositioned equipment and supplies in the region. We cannot

expect other nations to cooperate with us unless we are equally responsive to their legitimate needs. We must be a reliable friend if we are to have reliable friends.

Third, the military security assistance programs are managed by DOD in conjunction with U.S. procurement so that both the United States and the foreign buyer reap the benefits of consolidated planning and economies of scale. This entails both integrated procurement of weapons systems and tying foreign buyers directly into our supply systems to ensure timely, effective logistical support. Cutting back on foreign sales by the United States will only serve to channel these sales to others and raise the costs of our own purchases.

Fourth, security assistance helps to maintain a strong defense industrial base in the United States. Virtually all security assistance resources are spent in the United States on U.S. equipment and services.

Finally, allies and friends who are able to deter and defend against local threats provide the President time and choices in a crisis situation. Specifically, the President is not faced with the sudden choice of intervening directly with U.S. forces at the request of an ally, or acquiescing in aggression. A security assistance recipient with a strong defensive capability provides valuable time for the United States to consider its own appropriate response.

In sum, adequately funded, efficiently administered security assistance programs are essential to U.S. defense planning. Without them, our own defense effort would be both far more costly and, in times of crisis, even dangerously crippled.

One aspect of security assistance that bears special mention is the economic support fund (ESF). The question was raised during Secretary Shultz's testimony Tuesday as to whether ESF is simply another form of credits for military purchases. The answer is an unequivocal no. We do program a major percentage of ESF to countries where we also have a significant military assistance program. But we use ESF to address economic problems in a way that both complements and enhances the military assistance we provide.

Many LDCs today are reeling from the multiple shock of high energy costs, decreased demand for their exports, and their own economic mismanagement. Political stability and the ability to fend off external threats are simply impossible objectives if a country cannot achieve economic growth sufficient to enable it to meet the aspirations of its people. ESF helps the United States assert a leadership role in fostering economic recovery in nations of high strategic importance to us. In some instances, such as Israel, ESF provides needed budget support. In others, such as Pakistan, Jamaica and the Sudan, ESF helps us to support countries that are making efforts to restructure their economies and to become more self-reliant in the future. In still others, such as Kenya and Botswana, ESF meets basic human needs as do development assistance programs. Flexibility is the most important attribute of ESF, and it is an important complement to other trade, finance and aid policies and programs.

FISCAL YEAR 1983 SUPPLEMENTAL

The fiscal year 1983 continuing resolution under which we are operating does not provide adequate funds to achieve necessary national security objectives.

After careful consideration, we have reluctantly concluded that we cannot, without sacrificing important interests, operate within continuing resolution levels. Our problems are accentuated further by the extensive earmarking in existing authorization legislation and in the continuing resolution itself. The administration is obliged, therefore, to seek additional funding for the current fiscal year coincident with our request for fiscal year 1984.

Before getting into specifics, let me review briefly the five security assistance programs. Although well known to you, they have evolved to meet changing needs around the world.

Foreign military sales (FMS) financing facilitates the purchase of U.S. military equipment, spares or training. There are two types of FMS financing: direct credits, which involve appropriated funds, and guarantied loans, which do not. While direct credit can, under the law, be provided with varying degrees of concessionality, the Congress has in recent years limited its use to a few recipients, for which it has waived in advance the requirement to repay. USG guaranteed loans are provided to a wide range of countries—but 85 percent of the program is directed to seven key countries (Spain, Turkey, Greece, Pakistan, Israel, Egypt and Korea). Such loans are made by the federal financing bank and bear an interest rate reflecting the cost of money to the Treasury.

The economic support fund (ESF) of which I have already spoken, provides loans or grants to promote political and economic stability in countries of special econom-

ic, political or security interest to the United States. This assistance may be in the form of cash transfers for balance of payments or budget support, commodity import programs or project assistance.

The military assistance program (MAP) provides grant funding for defense articles and services. Whereas in the past MAP was used to provide specific military items. It currently helps recipient countries pay for equipment purchased under the FMS program. We often provide a degree of concessionality in financing military purchases through a combination of FMS guaranteed loans and grant MAP funds. While the percentage rise over our fiscal year 1983 request is significant, the dollar change is more modest and clearly reflects the continuing impact of worldwide recession on the ability of recipients to pay for necessary defense requirements.

International military education and training (IMET) provides grant funds for professional military training. Most is used to bring promising military personnel to the United States for specialized training—which often has the added advantage of exposing future military leaders to American values and institutions. The IMET program, while relatively small in dollars committed, may well have the highest marginal return of any assistance program.

Peacekeeping operations (PKO), the smallest of the security assistance accounts, permits us to participate in multilateral peacekeeping activities in some of the world's most volatile areas. For fiscal 1983 and 1984, the only peacekeeping programs foreseen are those in the Sinai and Cyprus.

LEBANON SUPPLEMENTAL

I would like to turn now to the first of the two supplemental authorizations we are seeking: $251 million to help restore peace and stability in war-torn Lebanon. This is a one-time special reconstruction package. In fiscal 1984 and beyond, we expect to revert to traditional levels of assistance. Others will testify in greater detail on the supplemental and I will only briefly review the three component requests.

$150 million in ESF grants. These are "no-year" funds to be obligated in both fiscal year 1983, and fiscal year 1984, about $100 million and $50 million respectfully. These funds, together with funds from other donors, will help the Lebanese Government rebuild its shattered economic infrastructure.

$100 million in FMS guaranteed loans. This will help finance phase II, if necessary, and phase III of the effort to reconstitute the Lebanese armed forces. Phase I, now almost complete, involves the formation of four new brigades and equipping them to 70 percent strength. Phase II will bring one of those brigades up to 100 percent strength and add a fifth brigade. We have signed letters of offer for most of this equipment except APC's which will require congressional notification. The total bill for phase II is expected to be on the order of $55 million. Phase III would add two more brigades at a cost of $105 million.

$1 million in IMET. This will send U.S. training teams to Lebanon and bring Lebanese military officers and enlisted crews to the United States for specialized training.

I am certain that members of this committee recognize that very important national interests are at stake in troubled Lebanon. We have a vital interest in ending hostilities and promoting the withdrawal of all foreign forces in a manner that promotes lasting peace and stability. The MNF cannot play a permanent, direct role in maintaining internal security. The LAF must gradually assume responsibility for that job. The exact shape of LAF deployments will be determined in part by the outcome of the current negotiations with Israel.

The question is not whether we should participate in Lebanon's recovery nor whether we should help Lebanon develop the capacity to defend its national integrity, but how quickly we can bring about these goals. I urge you to consider this supplemental request on an urgent basis so that we can continue the enormous task of reconstruction.

FISCAL YEAR 1983 SECURITY ASSISTANCE SUPPLEMENTAL

Our other supplemental authorization request also requires urgent attention. In these times of economic constraints and domestic belt-tightening, it takes a really serious situation to come before the Congress to ask for more foreign aid. We are convinced, however, that the request in this case is not only justified, but that we have no responsible alternative.

The reasons are these:

The continuing resolution is $961 million, or 11 percent, below the amount we requested for security assistance in fiscal year 1983. This means cuts of 48 percent in

MAP, 17 percent in IMET, 16 percent in FMS guarantied loans, and 8 percent in ESF. There was a 24 percent increase in forgiven FMS credit, but this was completely earmarked for Israel and Egypt (at levels above the administration request) and did not provide funds for the Sudan program, earmarked in authorization legislation.

Indeed, more than half of the MAP, ESF and FMS guarantied loan is earmarked. This magnifies the reductions to be absorbed by the remaining unearmarked countries. For instance, the effective cut for these countries averages nearly 70 percent in MAP and 50 percent in FMS.

We cannot carry out an effective security assistance program with such extensive reductions. We face unacceptable choices as to which critical interests to fulfill and which to sacrifice.

We do not seek a total restoration of the difference between our request and the CR level. We are requesting $167 million in additional MAP appropriations, of which only $142 million requires authorization; $144.5 million more in ESF appropriations, of which $82 million requires authorization, and $425 million in FMS guarantied loans. Let me describe how the supplemental funds will be used.

Major MAP recipients will be: Sudan ($50 million), Tunisia ($30 million); Thailand ($16 million); and Kenya ($12.5 million). As I noted above, $50 million in forgiven FMS credit is earmarked in authorization legislation for Sudan. Yet no funds were appropriated. Sudan faces severe economic problems and a serious threat from neighboring Libya. Its continued security is important to the Middle East peace process, and to our access to Southwest Asia should the need arise. The Sudanese economy is in dire straits; it cannot service sizeable high interest guarantied loans.

Tunisia, another good friend threatened by Libya, needs MAP, coupled with additional guarantied loans, to purchase tanks and transport aircraft. The total package provides necessary concessionality to help Tunisia's military modernization program.

A similar rationale supports our proposals for Thailand, which just last week was attacked by the Soviet-backed Vietnamese forces ranged along its eastern border, and for Kenya, which contributes to stability and to our objectives in the Horn of Africa and Southwest Asia. We are also seeking small amounts of MAP funding in the supplemental to prevent several small programs in Africa and Latin America from being eliminated.

Major ESF recipients are: Turkey ($55 million), Sudan ($25 million), Zimbabwe ($15 million) and the Dominican Republic and Cyprus ($10 million each). Last year we pledged $350 million to a multilateral effort through OECD to help put Turkey back on its financial feet. The requested $55 million together with the $245 million allocated under the CR for this purpose, still leaves us $50 million short of our pledge.

For Sudan, we hope to generate matching support from others to enable Sudan to meet IMF foreign exchange requirements. Such support is essential for a country whose annual debt service costs are expected to exceed its total imports this year. We seek additional funds for Zimbabwe to fulfill our public pledge to provide $75 million for 3 years.

The administration remains committed to fostering Caribbean economic growth and stability. The supplemental is essential to this endeavor. We are asking as well for supplemental funds to meet the congressional earmarks for Cyprus, and for added funding for the Middle East regional program which promotes cooperation between Israel and Egypt.

The off-budget FMS guarantied loan request of $425 million will support Pakistan ($75 million), Korea ($70 million), Turkey ($65 million), Tunisia ($43 million), Jordan ($35 million), and Indonesia ($30 million). Several smaller country programs require funding to prevent them from being eliminated altogether. The Pakistan program will be raised to the requested level consistent with our 5-year program of support for that country and to permit Pakistan to pay for equipment already ordered. Korea has been forced by resource constraints to postpone badly needed modernization programs in such areas as air defense radar installation. The supplemental will enable us to restore the 33 percent cut from the requested level. The request for Turkey will allow a slight increase over the amount provided in fiscal year 1982 to offset grant MAP reductions mandated in the CR. The request for Jordan will return this critical program to its requested level. If Jordan is to join the peace process, it must be confident of U.S. support.

We are not seeking supplemental increases in funds for either IMET—although reductions have forced major retrenchments in this highly effective program—or in peacekeeping operations.

Our security assistance program in fiscal year 1983 has been seriously compromised by inadequate funding. We have planned for these extremely scarce funds to continue the absolute highest priority country programs and to conform to the congressional earmarks. However, if the supplemental request is not approved, country programs that are only marginally less critical will suffer grieviously and many of the small programs will have to be either cut to the point of ineffectiveness or terminated altogether. We do not want—and we trust the Congress does not want—to be responsible for the negative impact on United States interests and our bilateral relationships that would result.

FISCAL YEAR 1984 SECURITY ASSISTANCE REQUEST

Now let me move on to what would normally have been the only subject of my testimony today—the fiscal 1984 security assistance authorization request.

We are requesting total security assistance programs of $9.2 billion. Requiring $4.8 billion in new fiscal year 1984 budget authority. There is no real growth. In fact, the program total represents a modest 4.5 percent increase over our revised request for fiscal year 1983. By program, we are seeking authorization of $697 million in MAP, which is essential to provide for increased military inputs at more concessional rates; a virtual straight-lining of ESF, to $2,949 million, $56.532 million in IMET and $4,436 million in off-budget FMS guarantied loans. We are requesting $1 billion in forgiven FMS direct credits for Israel and Egypt, and a PKO contribution of $46.2 million for the multilateral force and observers in the Sinai and the U.N. forces in Cyprus.

These figures are determined by an interagency process which carefully reviews all our programs. Our key strategic objectives are established and coordinated with foreign policy and defense planning. We then design a security assistance program that is carefully integrated with development assistance priorities to fulfill key strategic objectives. Since I have just returned from accompanying the Secretary on a trip to East Asia, I would like to discuss that vital area of the world first.

EAST ASIA: PROMOTING PACIFIC SECURITY

For the Pacific, we are requesting $506 million for 10 countries—about 5.5 percent of the total security assistance request. The bulk of funding here goes to countries with which we have firm mutual security agreements. More than 85 percent of the program goes to three countries: Korea, Thailand, and the Philippines.

The Republic of Korea is directly threatened by North Korea, which spends 15–20 percent of GNP on arms, has 12 percent larger forces than the South, and more than twice the number of artillery pieces, tanks, and combat aircraft. Our $230 million request will help Korea purchase priority items in its second force improvement plan such as aircraft, air defense missiles and improved armor and artillery capability.

For Thailand, we are requesting $106.4 million to be used primarily for tanks, anti-aircraft missiles and aircraft. The Thais face a direct threat from an estimated 180,000 Soviet-backed Vietnamese soldiers across their western border in Kampuchea. By assisting Thailand, we help to deter aggression and show Asean countries our commitment to support their independence and security. Our assistance program also has a catalytic effect by encouraging greater regional political and defense cooperation.

Our fiscal year 1984 program for the Philippines represents the final year of the security assistance pledge which President Carter made in 1979 following the successful amendment of the military base agreement. Clark Air Base, Subic Naval Base and other facilities there help to sustain the U.S. position as an Asian power and to project American power into the Indian Ocean. Finally, I would note our two smaller but important programs in Indonesia and Malaysia, which promote security interests in these populous, resource rich countries lying beside vital sea links between the Pacific and Indian Oceans.

FURTHERING THE MIDDLE EAST PEACE PROCESS

A fundamental U.S. objective, requiring the largest percentage of funds, is to further the Middle East peace process. Nowhere is the need for consistency, reliability, and balance in U.S. foreign policy more evident than in the Middle East. Our policy in the region is based on two mutually reinforcing goals: (1) the search for a just and lasting peace among all of the states in the area, and (2) the requirement that our friends in the region be able to assure their security against threats from the

outside and from the pressures of Soviet surrogates and radical forces within the region.

U.S. assistance programs to Israel and Egypt reflect our best appraisal of their real needs. Our programs are designed to help give these nations the confidence to continue on the path toward peace begun at Camp David.

Lebanon and Jordan are also critical to peace and security in the Middle East. I spoke earlier about Lebanon in the context of the fiscal year 1983 supplemental. The strengthening of institutions and the fostering of a national consensus in Lebanon would help significantly to stabilize the area and would thereby remove one of the major flashpoints of conflict in the region.

Our continued support for Jordan increases its ability to remain a viable, moderate actor in the region and encourages it to assume an active role in the peace process. Numerically outmanned by a potentially aggressive neighbor, Jordan depends on well-equipped, high quality, highly motivated forces to deter attack. Inasmuch as the risks to Jordan would increase if it joins the peace process. Jordan must know that it has a staunch friend in the United States who will supply and provide financing for military modernization needs. The requested $115 million program for Jordan is designed to help modernize the armed forces through purchases of equipment including armor, artillery, airlift equipment and tow missiles.

For fiscal year 1984 we plan to devote about 51 percent of our total security assistance program to this peace effort. In program terms, this is $1,570 million in ESF, $1,000 million in forgiven FMS credit, $2,130 million in FMS guarantied loans, $4.75 million in IMET, and $37.2 million for peacekeeping operations in the Sinai. By country, it amounts to $2,485 million for Israel, $2,052 million for Egypt, $137 million for Jordan, and $15.75 million for Lebanon.

STRENGTHENING THE NATO ALLIANCE AND EUROPE

The strategic importance of Europe's southern flank to NATO and the West has been dramatically underlined by events this past year. Helping these nations acquire the material and training needed to meet effectively their NATO responsibilities is an important contribution to our common defense, not only against threats to NATO but against challenges to our common interests beyond the geographic bounds of the alliance.

Portugal and Spain hold a strategic position along the principal lines of access to Europe and the Middle East/Southwest Asia. The Portuguese, with the aid of their allies, are determined to play a larger role in NATO and in the defense of western interests. Basing facilities in the Azores and continental Portugal are key to NATO reinforcements, ASW operations and possibly out of area contingencies. The fiscal year 1984 FMS/MAP requests of $105 million will help provide a second squadron of A-7P aircraft, the start-up of an anti-submarine warfare frigate program, and increased P-3 and C-130 capability. Spain's decision to join NATO is a historic milestone on the road to that nation's full reentry into the West European community. It underscores Spain's desire to reinforce democratic institutions. Our $400 million FMS request serves to solidify progress in this direction and helps ensure the access we need to bases vital to our own defense posture.

In our defense cooperation agreement with Turkey, we have undertaken to assist the Turkish armed forces in their efforts to modernize their dangerously obsolescent military inventory. Turkey is outnumbered 3 to 1 by Warsaw Pact ground troops, armed with the most modern armaments in the Soviet Arsenal garrisoned in the nearby trans Caucasus and trace. Similarly, Warsaw Pact aircraft vastly outnumber Turkish aircraft in the region. We are requesting $755 million in FMS/MAP to help Turkey purchase a wide variety of equipment including some replacements for its obsolete fighter aircraft. The use of MAP funds will limit the impact of this large program on Turkey's heavy debt service schedule. We cannot understate Turkey's importance. Standing as it does at the intersection of our NATO, Southwest Asia, and Middle East strategies.

Security assistance demonstrates American support for a democratic Greece willing and able to fulfill its NATO responsibility and to help ensure political stability in the Eastern Mediterranean. We have straight-lined the Greek program because base negotiations currently are underway. To do otherwise would compromise our ability to reach a reasonable agreement. We have told the Greeks, however, that we are prepared to request additional funds in the context of a satisfactory defense cooperation agreement.

We intend to commit $1,790 million in security assistance to the European southern tier states of Spain, Portugal, Greece, Turkey, and Cyprus. By program this will consist of $230 million in ESF, $290 million in MAP, $1,250 million in FMS guaran-

tied loans, $11.7 million in IMET, and $9 million for the U.N. forces in Cyprus. By country, it will be $12 million for Cyprus, $281.7 million for Greece, $148 million for Portugal, $415 million for Spain, and $934 million for Turkey.

SOUTHWEST ASIA

Southwest Asia remains the critical source of energy for the free world. Broadly defined, this area stretches from Pakistan in the east to Morocco in the west. Almost all these countries face severe economic problems and potential subversion or regional threats, in many cases supported by the Soviets or their proxies.

Our 5-year program of military modernization and ecnomic assistance will help Pakistan to meet the Soviet threat from Afghanistan and facilitate the economic development essential to internal stability. Our renewed strategic relationship will help deter further actions by the Soviets and support Pakistani resolve to continue to oppose Soviet aggression in Afghanistan. A Pakistan more confident of its security has less need for and motivation to develop nuclear explosives. The $300 million FMS request will be used for progress payments on the $1.7 billion package of military assistance already underway including F-16 aircraft. As you know, the first six F-16s recently arrived in country and the reaction was overwhelmingly positive for United States-Pakistan security relations.

Sudan, Morocco, and Tunisia all face threats of subversion or aggression emanating from or supported by Libya. Sudan also faces a significant potential military threat from Ethiopia. These countries have difficult economic problems. Grant U.S. assistance is needed to enhance military preparedness without adding to already excessive economic burdens.

Given Oman's strategic location on the Strait of Hormuz and close cooperation on regional security issues, we put high priority on improving its defense forces. The Yemen Arab Republic, strategically located on the Bab El-Mandeb Straits and the southwest flank of Saudi Arabia, faces a well-armed, Marxist-led insurgency supported by South Yemen and Libya. With a deteriorating economic situation, this country requires both development and security assistance to enable it to maintain its independence and stability.

Also along the Indian Ocean littoral, in both Kenya and Somalia, we seek to encourage economic self-reliance and the development of defense capabilities consistent with economic realities. Both nations count as key features in our own defense planning for the region and Somalia faces continuing pressure from Ethiopian border attacks. Our aid to the island states helps maintain U.S. access and influence in the Indian Ocean.

We plan to commit some $1,188 million to security assistance for the 12 countries whose cooperation we consider essential to our southwest Asia policy. Programmatically, this will include $451 million in ESF, $220 million in MAP, $507 million in FMS guaranties, and $10.15 million in IMET. The major country programs are Pakistan at $525.8 million, Sudan at $181.5 million, Tunisia at $141.7 million, Morocco at $98.7 million, Kenya at $78.65 million, Somalia at $76 million and Oman at $60.1 million.

RESTORING STABILITY AND PROGRESS IN THE CARIBBEAN BASIN

We face a major challenge in the Caribbean Basin, where Cuba has sought to exploit socio-economic problems and military vulnerabilities. The fiscal year 1982 CBI supplemental was never intended to cure all problems; we must continue to provide resources until increased investment, a strengthened private sector, and expanded export markets enable these countries to achieve more economic self-sufficiency.

El Salvador, where the guerrillas seek to destroy the economy and take over the government, would be the largest single recipient of both economic and military assistance in the Caribbean Basin. The Salvadoran economy has been in sharp decline since 1978; in real terms the value of goods and services produced now is estimated to be 25 percent below 1978. We have allocated $140 million in ESF for fiscal year 1983 and are requesting $120 million for fiscal year 1984 in an effort to restore production in what was one of Latin America's most efficient economies. Honduras faces a severe economic decline and a large military buildup in neighboring Nicaragua. Costa Rica's rapidly deteriorating economy will require substantial assistance while fundamental reforms are effected. Jamaica will continue to need substantial assistance in order to restore the vitality of its private sector. Because of deteriorating conditions, other countries in the region, including Guatemala and the Dominican Republic, require substantial amounts of economic assistance. We are proposing a new FMS program for Guatemala in fiscal year 1984 because of the importance of

Guatemala in Central America, the threat the country faces, and the progress being made in improving human rights.

Under the security assistance rubric, we expect to devote about $558 million to CBI countries and regional programs. This will include $398 million in ESF, $109.8 million in MAP, $45 million in FMS guaranties and $5.13 million in IMET funds. The major recipients will be El Salvador at $206.3 million, Honduras at $81 million, Costa Rica at $72.15 million, Jamaica at $59.2 million, Guatemala at $50.25 million and the Dominican Republic at $45.75 million.

OTHER STRATEGIC GROUPINGS

We also propose in fiscal year 1984, in addition to these areas of strategic concern to the United States. To provide security assistance to a number of other countries in troubled parts of the world.

Our policy in southern Africa is designed to advance the peace process in Namibia, ensure continued Western access to key strategic minerals, and support the development process from Zaire to the Cape. We are committed to assist the economic development of the front-line States in southern Africa, whose participation is essential to the resolution of conflict there. The alternative—a new escalation of conflict—would provide significant new opportunities for the Cubans and the Soviets. We seek $181 million in security assistance for this region.

Adequate aid is essential to maintain peace and stability in western Africa. Where financial difficulties risk exploitation by Libya. We propose modest new ESF programs for two threatened, staunchly pro-Western countries, Senegal and Niger. Our aid to Liberia is designed to address its immediate financial crisis, stimulate long-term development, ensure continued U.S. access to key transportation and communications facilities, and facilitate the return to civilian government in 1985. Our assistance elsewhere in west Africa is limited to FMS loans in Cameroon and Gabon and to 14 IMET programs.

The President's recent trip to Latin America underscored America's commitment to play a major role in addressing the key problems of our neighbors to the south. In furthering our strategic and national security interests in the southern part of the hemisphere, we are seeking $51 million primarily for FMS guarantied loans to Peru, Colombia and Ecuador.

In concluding this portion of my remarks, I would emphasize that none of these figures is intended to set a cash value on the relationship between the United States and the recipient country. Nor do they in all cases indicate the total amount of assistance we propose to provide, as many will receive various other types of development assistance as well. Our security assistance budget proposal is, I believe, carefully crafted to move us toward a variety of strategic objectives at minimum expense to the American taxpayer.

FISCAL YEAR 1984 LEGISLATIVE PROPOSALS

Mr. Chairman, I would now like to address several of our legislative proposals for fiscal year 1984. These include new proposals together with those submitted last year. Many of the latter were included in the authorization bill reported by this committee. We have made an effort to limit the number and scope of the proposals to those essential to the effective operation and administration of the programs. We regard those which are before you as extremely important and urge their consideration and adoption.

NEW PROPOSALS

Let me highlight some of the more important proposals. General Gast will also speak to thse proposals.

We seek a change to section 21 of the Arms Export Control Act (AECA) to simplify the current, multi-tier pricing structure on sales of training. By allowing us to charge all purchasers an amount equal to the quote additional cost unquote not otherwise incurred by the United States in providing the training, this proposal would reduce discrimination among countries yet ensure that the United States recoups the total cost attributed to such training. This proposal is similar to that enacted recently for grant training.

Earlier I mentioned the impact that earmarking in legislation has on our ability to allocate available funds to meet priority objectives. The most serious problems arise from earmarks in authorization and appropriations legislation, which assume availability of the funds authorized in that bill. When the worldwide availability for ESF or MAP is reduced, often severely in a CR. We must nonetheless fund specific

countries at the full amounts earmarked. This creates serious distortions in country allocations, often unintended, by forcing disproportionately severe cuts in unearmarked country programs.

To help deal with this problem. The administration is proposing enactment of a provision that would reduce earmarks. When operating under a CR. To the same proportion of the total funds available under the CR as the original earmark was to the total funds available for the relevant account in the law which established the earmark. We recognize, Mr. Chairman, that the Congress may not authorize and appropriate all the funds that have been requested. When funds are reduced, however, earmarking places us in a straitjacket which prevents rational country allocations. The combination of lower funding and extensive earmarks is devastating. I strongly urge adoption of this proposal.

We also need adequate numbers of personnel in certain countries to manage the security assistance program. The number of overseas military personnel declined significantly in the late 1970's. Congress took the lead in bringing about the reductions. Many of which were warranted and overdue. As certain programs grow in size and importance, however, we must seek prudent increases. Accordingly, we propose to amend section 515 of the FAA to add nine new countries to the twelve currently authorized to have more than six uniformed personnel. These include Pakistan, Tunisia, Yemen, Liberia, Sudan, Zaire, El Salvador, Honduras, and Venezuela.

We propose to add Korea to the short list of countries authorized to receive extended payment terms on FMS guarantied loans. The size of the Korea program has been reduced significantly in recent years. The reduction was not by choice but because Korea, as an unearmarked country, was forced to bear a sizeable portion of the reductions in overall funding. This proposal would allow Korea to spread out its repayments and spend a larger portion of its own funds on needed military purchases.

Current law requires that countries that sell or dispose of U.S. equipment provided under the MAP program return the proceeds to the United States because there is no incentive to eliminate obsolete equipment which drains available O&M funds, countries maintain such equipment in their inventories even when to do so is uneconomical. We are proposing to add a waiver authority that would allow the President, on a country-by-country basis. To permit countries to keep the proceeds of sale when it is in the U.S. national interest to do so. All applicable legal and policy controls on third country transfers would continue to apply to any sales of this equipment.

CARRYOVER FROM FISCAL YEAR 1983

Very briefly, Mr. Chairman, I want to mention a few of the fiscal year 1983 proposals which we are once again requesting in fiscal year 1984.

Authorization of an anti-terrorism training program. Our proposal incorporates virtually all of the changes made by the committees last year. This program would become effective upon enactment of the bill to provide anti-terrorism assistance. Authorization of $5 million is requested for fiscal year 1984.

Removal of prohibitions against assistance to China. This proposal removes China (and Tibet) from the prohibited list of "Communist" countries in section 620(f) of the FAA.

Permit reciprocal no-cost exchange training on a one-for-one basis for professional military at war colleges and command and staff colleges.

Establish a threshold of $50,000 on reprogramming notices to the Congress for international narcotics control and IMET programs.

Mr. Chairman, we are presenting you with several proposals—two fiscal year 1983 supplemental authorization bills plus the regular fiscal year 1984 bill. We request your urgent and careful consideration of them. The legislative and budgetary requests have been scrutinized thoroughly within the administration and meet all of our essential criteria in a very tight budget year. In conclusion, I ask you to consider not only the costs of providing the requested assistance, but also the costs of not providing it.

The CHAIRMAN. Mr. McPherson, I understand you have no statement but are available to answer questions.

General Gast, I understand you do have a statement.

STATEMENT OF LT. GEN. PHILIP C. GAST, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY, DEPARTMENT OF DEFENSE

General GAST. Thank you, Mr. Chairman. I also would like to introduce for the record a prepared statement and then to read a condensed version of that if I may, sir.

The CHAIRMAN. A full copy of the statement will go into the record, then, without objection. Do you have a copy of the summary?

General GAST. I regret that I do not, sir.

The CHAIRMAN. All right.

General GAST. I will try to be very brief, sir.

Senator BOSCHWITZ. General, let me ask you in that case, how long is your condensed statement? Mr. Schneider's condensed statement was 17 pages long, which is OK. But is yours also? Can we follow it in this one, or what?

General GAST. What I would like to do is to read selected portions of this in order to abbreviate it, sir, to bring it down to a considerably shortened amount.

Senator BOSCHWITZ. So we can follow it?

General GAST. I believe so, sir.

Secretary Schneider has just given the committee a detailed statement on the President's request for fiscal year 1983 supplemental appropriations, the special Lebanon supplemental and the fiscal 1984 program for security assistance. We in defense fully concur with the Secretary's statement.

The security assistance we provide helps other countries make the most of their own resources and capabilities for maintaining internal security, for dealing with external aggression, and for participating in international collective security arrangements. These are goals we share with our friends and allies and, by helping to share the burden of defense with others, we derive important foreign policy and defense benefits.

Some of the programs being recommended in the fiscal year 1983 supplemental and in the fiscal year 1984 request are to support countries directly confronting the Soviet Union or Soviet-supported countries. These include Pakistan, Turkey, Korea, and Thailand.

Other programs are being proposed to assist countries in promoting internal stability and regional security. These countries include Morocco, Tunisia, the Sudan, El Salvador, and Honduras.

Some recommendations are for strategically located countries which sit astride critical lines of communications or international "choke points"—Indonesia, Malaysia, and Panama are examples.

Still other programs are being proposed for countries which provide overseas bases or military facilities that enable U.S. forces to either maintain a force presence abroad or reject military power when and where and if it becomes necessary.

The four countries on the southern tier of Europe—Portugal, Spain, Greece, and Turkey—each provide bases to U.S. Forces, and several countries in the northern tier of Africa provide access to military facilities which enhance our forward defense capabilities.

Morocco, Tunisia, and Egypt are especially important in this regard, as are Somalia and Oman, with whom we have military access.

As we look to the next year and beyond, there are several problem areas requiring our close attention and priority. Let me summarize.

In northern and west Africa, Libya's arms exports and sponsorship of outside intervention have created tensions, inflamed local grievances, and exploited regional differences to its own advantage.

In the Western Sahara the Polisario, which draws support from Libyan and other Soviet arms recipients, continues to wage warfare in the hopes of exhausting or demoralizing Morocco, where we have important base access.

In the Horn of Africa, the Soviet Union has supplied vast quantities of arms and training to Ethiopia.

We have delivered a small quantity of military trucks and less than 25 APC's and ARV's to Somalia, and not much more to Sudan.

Across the Bab-El-Mandeb Straits is Soviet-supplied and supported South Yemen. Soviet meddling throughout this region threatens not only Somalia but endangers stability in North Yemen and evokes anxieties among other regional states, including the Sudan, Oman, and Saudi Arabia.

In Asia, heavily armed North Korean forces have been deterred for the past 30 years by a combination of U.S. military presence and strong armed forces of the Republic of Korea. Our assistance programs have been indispensible to this end. Yet, because of underfunding off-budget credits in the fiscal year 1983 CRA, we have been forced to cut Korea to 33 percent below its fiscal year 1982 level.

In Southeast Asia, the struggle between Vietnam and the opposing forces in Kampuchea creates daily pressures on Thailand and mandates a continued state of readiness on the eastern border.

The Soviet invasion and occupation of Afghanistan ignited an internal civil war. That conflict spills over into Pakistan which is buffeted by cross-border military violations and hundreds of thousands of refugees. As a frontline state, it has responded to the Soviet Union in Afghanistan by slowly modernizing a portion of its armed forces. Without a confident Pakistan, the resistance in Afghanistan will wither and Soviet aggression will triumph.

Mr. Chairman, the recommendations of President Reagan's proposal for the fiscal year 1983 supplement, the Lebanon supplement and the fiscal year 1984 program, are the result of careful thought and preparation. The flow from an intensive and extensive analysis of country requirements, the ability of the recipient countries to absorb and use U.S. equipment and defense services, and how our meeting these needs furthers U.S. foreign and defense policy objectives.

I want to take this opportunity to point to some of the major factors shaping how we attempt to match program recommendations with country requirements and U.S. strategic initiatives.

The single most important factor determining the administration's recommendation is, of course, how a particular program will support and enhance U.S. security interests. Considerable effort is devoted to making prudent proposals given the resources we can expect and the foreign policy and defense benefits we hope to derive.

I would add that most countries do not make unreasonable requests of the United States because they are sensitive to their ability to repay the loans we provide. Most countries, in fact, plan to utilize the funds we provide to support equipment already on hand or to replace older generation hardware with newer equipment. Very few countries have the resources of their own or from us to procure sophisticated weapon systems or to expand their force levels. Neither they nor we are interested in transferring systems they cannot absorb into their force structure.

The overseas security assistance offices are part of the country team and work with the host country Ministry of Defense to develop reasonable and well-thoughtout programs. Unified commanders and the Joint Chiefs of Staff also comment on developing programs and make recommendations. Through this iterative and well-balanced approach, we believe the State Department, we in Defense, and the countries involved have developed sound programs which justify your support.

The second continuing resolution of fiscal year 1983 covered many of the administration's critical requests, but did not continue the momentum begun in the fiscal year 1982 bill, a momentum which started to reverse a long period of decline and neglect. Even now, our military assistance program—FMSCR, MAP and IMET—for fiscal year 1983—$5.1 billion—is roughly one-quarter of what it was in the early 1950's, if computed in constant terms.

The success we achieved in solidifying newly developed ties, in reaffirming long-standing relationships, in starting or renewing country programs and in containing embryonic conflicts, may be short lived, however, if we must operate for the rest of the fiscal year 1983 under the current CRA.

We recognize that it may be somewhat complex to ask Congress to consider three separate funding requests in the same session. Yet, the report of the Conference Committee last December stated that if serious foreign policy problems resulted from inadequate funding, a supplemental request would be appropriate.

In our estimation we will have a serious foreign policy and defense problem if restricted to the current fiscal year 1983 levels. Some countries will have extreme difficulty meeting their payment schedules or initiating new buys; others may be virtually eliminated as recipients, and certain critical countries such as Pakistan and Tunisia would be severely and adversely affected.

The Lebanese crisis was not anticipated but we all can agree that our request for that embattled country is sensible and sound. It would help Lebanon recover from the chaos and destruction of the past year by helping its armed forces restore law and order by equipping two additional brigades and by reestablishing its sovereignty and independence once foreign troops are withdrawn.

The fiscal year 1984 security assistance submission includes only one major increase above the President's 1983 request. This increase is to support Turkey's military modernization plan which helps to bring its armed forces up to NATO force goals. This is a most urgent priority. The remainder seeks to continue program levels with no other dramatic increases being proposed. The funding request represents a 5-percent increase over the President's revised request for 1983.

We are also asking an increase in the grant military training program—IMET—up from $45 million in the fiscal year 1983 CRA to $56.5 million for fiscal year 1984. Dollar for dollar, this training program continues to be one of the most cost-effective in our entire security assistance program.

Finally, we have not been able to make the best use of the special defense acquisition fund—commonly known as SDAF—because the authority to obligate previously capitalized funds has been limited to only $125 million in fiscal year 1982 and another $125 million in fiscal year 1983. This is far short of what was available and what is needed to make the fund truly effective.

The administration is proposing a number of legislative initiatives. I will highlight only a couple in the interest of time, Mr. Chairman.

One proposal seeks to eliminate the confusion in the variable pricing structure for sales of foreign training. In place of the multitier pricing system which now exists, this proposal would substitute a single price for all FMS training. Enactment would mean that we would only have two pricing systems for foreign training, one for FMS and one for IMET.

A second proposal would amend section 515 of the Foreign Assistance Act to increase the number of security assistance organizations, authorized more than six personnel as Secretary Schneider mentioned.

Another proposal would modify the congressional notification process involving reprograming notices for grant training funds. This initiative was submitted last year and proposes a $50,000 threshold below which the normal 15-day reprograming notifications would not be required.

I would not like to conclude my remarks, sir, in order to allow time for questions.

Mr. Chairman, there is diminishing flexibility in the way we can use available funds, since so much is tied down by earmarks and by previous commitments. Without flexibility, we are forced to return to Congress for supplemental or emergency appropriations to support the peace process, for breakthroughs in obtaining access to facilities, or in response to renewed conflicts—with real danger that opportunities may be lost.

We derive many benefits from our security assistance program. Secretary Schneider and I have touched on a number of those. The major contribution of security assistance from a defense perspective is that it enables other countries to cooperate with the United States in developing working and viable collective security arangements; in sharing the collective burden of defense, and in furthering our mutual security interests.

These programs are low-cost investments in the U.S. security and, to a limited degree we believe, in the U.S. economy. Short of stationing U.S. forces abroad, the security assistance programs provide the most viable assurance of continued U.S. readiness to stand by our friends and allies.

I know that I reflect the views of the Secretary of Defense when I urge the committee to give favorable consideration to the administration's security assistance proposals for 1983 and 1984.

Sir, that concludes my remarks. Thank you.

[General Gast's prepared statement follows:]

PREPARED STATEMENT OF LT. GEN. PHILIP C. GAST

Thank you Mr. Chairman, This is my first appearance before a Congressional Committee to discuss the Administration's security assistance request. My remarks today will be brief. Secretary Schneider has just given the Committee a detailed statement on the President's request for a fiscal year 1983 Supplemental Appropriation, the special Lebanon Supplemental and the fiscal year 1984 Program for Security Assistance. We in Defense fully concur with the Secretary's statement. I will focus my comments on what Defense believes are the principal strategic objectives underlying the priority country and regional programs. Then I will discuss a number of proposed legislative initiatives to increase the flexibility and effectiveness of the security assistance program.

Before addressing the need for additional funds in fiscal year 1983 and the program levels in the fiscal year 1984 request, I would like to discuss briefly how security assistance complements the Defense budget and how it enhances our overall global defense posture. The historical record speaks for itself. For example, our assistance programs in the past helped successfully rearm a weakened Europe after World War II and, along with U.S. forces, helped maintain peace on the Korean Peninsula for the past three decades. More recently, our programs have played a crucial role in making possible the Peace Treaty between Egypt and Israel and in developing the basis for a credible defense in the Southwest Asia/Indian Ocean Region.

SECURITY ASSISTANCE AND DEFENSE

The security assistance we provide helps other countries make the most of their own resources and capabilities for maintaining internal security, for dealing with external aggression and for participating in international collective security arrangements. These are goals we share with our friends and allies and by helping to share the burden of defense with others, we derive important foreign policy and defense benefits as well.

Some of the programs being recommended in the fiscal year 1983 Supplemental and in the fiscal year 1984 request are to support countries directly confronting the Soviet Union or Soviet-supported countries. These include Pakistan, Turkey, Korea and Thailand. Other programs are being proposed to assist countries promoting internal stability and regional security. These countries include Morocco, Tunisia, The Sudan, El Salvador and Honduras. Some recommendations are for non-aligned but strategically located countries which sit astride critical lines of communication or international "choke points." Indonesia, Malaysia and Panama are examples. Still other programs are being proposed for countries which provide overseas bases or military facilities that enable U.S. forces to either maintain a force presence abroad or to project military power when and where it becomes necessary. The four countries on the southern tier of Europe—Portugal, Spain, Greece and Turkey—each provides bases to U.S. forces and several countries on the northern tier of Africa provide access to military facilities which enhance our forward defense capabilities.

Morocco, Tunisia and Egypt are especially important in this regard, as are Somalia, Kenya and Oman with whom we have military access agreements. In other regions, we are proposing smaller programs simply to improve logistics and training support for what they already have. Several African programs come to mind in this category.

PROBLEM AREAS

As we look to the next year and beyond, there are several problem areas requiring our close attention and priority. Let met summarize some of these.

In northern and west Africa, Libya's arms exports and sponsorship of outside intervention have created tensions, inflamed local grievances, and exploited regional differences to its own advantages. Libyan adventurism puts pressures on neighboring countries, especially Chad, Tunisia and Egypt, but its activities are felt in other countries including the Sudan, Morocco and other African states. Since 1978, the Soviets have created a virtual arms depot in North Africa by shipping Libya over 300 supersonic fighter aircraft, nearly 900 surface-to-air missiles, about 1,300 field artillery units and 370 tanks and self-propelled assault guns. This is nearly double the number of tanks and self-propelled guns, more than ten times the number of artillery pieces, and nearly twenty times the number of fighter aircraft we have provided to Morocco, Sudan, and Tunisia combined, during the same period.

In the western Sahara, the Polisario, which draws support from Libyan and other Soviet arms recipients, continues to wage warfare in the hopes of exhausting or demoralizing Morocco where we have important base access.

In the Horn of Africa, the Soviet Union has supplied vat quantities of arms and training to Ethiopia. There are roughly 14,000 Cuban troops and military technicians supporting Ethiopia's war against Somalia and against internal factions. The Ethiopian Armed Forces have been expanded and modernized. They are now the largest and best equipped in Sub-Saharan Africa, more than double the size of the combined forces of Somalia and Sudan.

Over the past five years, the Soviet Union has provided Ethiopia almost 1,300 artillery pieces, more than 80 supersonic fighter aircraft, nearly 500 tanks and self-propelled guns, and about 750 Armored Personnel carriers (APC) and Armored Reconnaissance Vehicles (ARV). In the same time frame, we have delivered a small quantity of military trucks and less than twenty-five APC's and ARV's to Somalia, and not much more to Sudan.

Across the Bab-el-Mandeb Straits is Soviet-supplied and supported South Yemen. Soviet meddling throughout this region threatens not only Somalia but endangers stability in North Yemen and evokes anxieties among other regional States, including the Sudan, Oman, and Saudi Arabia!

In Asia, heavily armed North Korean forces have been deterred for the past thirty years by a combination of U.S. military presence and strong Armed Forces of the Republic of Korea. Our security assistance programs have been indispensable to this end. Yet, because of underfunding off-budget credits in the fiscal year 1983 CR, we have been forced to cut Korea to 33 percent below its fiscal year 1982 level.

In Southeast Asia, the struggle between the Vietnamese and opposing forces in Kampuchea creates daily pressure on Thailand and mandates a continued state of readiness on its eastern borders. Meanwhile, Soviet arms shipments enable the Vietnamese Army to maintain its aggression in exchange for Soviet use of port and air facilities in Vietnam.

The Soviet invasion and occupation of Afghanistan ignited an internal civil war. That conflict spills over into Pakistan, which is buffeted by cross-border military violations, and hundreds of thousands of refugees. Pakistan is militarily vulnerable and is coveted by the Soviets for its ports on the Indian Ocean. As a frontline state, it has responded to the Soviet threat in Afghanistan by slowly modernizing a portion of its armed forces. Without a confident Pakistan, the resistance in Afghanistan will wither and Soviet aggression will triumph.

PROGRAM DEVELOPMENT

Mr. Chairman, the recommendations in President Reagan's proposed fiscal year 1983 Supplemental, the Lebanon Supplemental and the fiscal year 1984 program are the result of careful thought and preparation. The development of the annual security assistance proposals take nearly hine months of concentrated interagency activity. Specific country proposals are not made in a vacuum and do not contain frills. Rather, they flow from an intensive and extensive analysis of country requirements, the ability of recipient countries to absorb and use U.S. equipment and defense services and how our meeting these needs furthers U.S. foreign and defense policy objectives. While we can never precisely know how much is enough to meet the country and regional requirements, we do know where our priorities lie and we are confident that our programs lie within the parameters of prudent support.

In Latin America, our principal objectives are to ensure the security of the North American continent, the Caribbean Basin area and to counter Soviet and Cuban supported efforts to destabilize the region. The proposed funding programs are concentrated in the Central American/Caribbean region and linked with the President's broader Caribbean Basin Initiative.

Our programs in Europe are confined to the Mediterranean/Southern Tier countries. We have important bases in Portugal, Spain, Greece, and Turkey and the use of these facilities is tied closely to our security assistance programs.

I have already referred to Turkey's critical military needs. Turkey's strategic importance to the United States and NATO and the clear-cut need to develop air defense, and replace its aged aircraft, while sustaining ground and naval force maintenance programs, shaped our proposal for a substantial increase over the fiscal year 1982 and requested fiscal year 1983 levels.

Our request for Portugal includes credits for our share of its NATO frigate program, a follow-on squadron of A-7 aircraft, other equipment, spares and training. The $400 million request in credits for Spain sustains the fiscal year 1983 level asso-

ciated with base renewal and would enable it to carry through much of its force modernization plans.

Our recommendation for Greece would assist their financing the modernization of their air defense system, C^3, and ground capabilities, and these would improve its overall operational capabilities.

Most of the financing for country programs in Africa relate to strategic access and resistance to Soviet surrogates. We need to continue programs with Sudan, Somalia and Kenya to provide for access to air and port facilities which support our peacetime presence in the Indian Ocean and our conventional deterrence strategy in the Arabian Gulf/Indian Ocean area. The programs are small, however, and we give due regard to a country's ability to absorb equipment and pay back loans.

On the West Coast of Africa, the President's request for Liberia is designed mostly to continue the military housing program underway, success of which is tied to President Doe's determination to return the country back to civilian rule. Other programs in mineral-rich Zaire, in Niger and in Botswana, for example, serve to sustain long-term or newly-developed military supply and military-to-military relationships, to provide critical national infrastructure with African states and to terminate Soviet supported adventurism.

The Israeli and Egyptian program levels dominate our regional programs in the Middle East and comprise roughly half of our security assistance proposals. All the forgiven Foreign Military Sales Credits would go to these two countries.

Along the northern tier of Africa, our recommendations for Morocco and Tunisia are in response to genuine threats posed by Libyan aggression and the prolonged struggle in the Western Sahara. Morocco provides access to U.S. forces and Tunisia must cope with Libya's threats to its security. Our recommendation would sustain modernization programs already underway in both countries. As I mentioned earlier, we need to continue these programs until they meet their requirements.

The funding request for Pakistan is for the second leg of the multi-year military modernization plan devised in the wake of the Soviet occupation of Afghanistan. Even at these levels, Pakistan must come up with additional funds from other sources to finance its security program.

In East Asia, more than half our request for this region is to help Korea meet previously agreed-upon military requirements embodied in its Second Force Improvement Plan (FIP-II). The increase is needed to help Korea deter aggression from superior armed forces in the North. The nearly 40,000 U.S. military personnel now stationed in Korea contrast starkly with the limited investment in security assistance we are requesting. To ease up on our assistance now would risk the probability of converting success to failure.

Our bases in the Philippines and our assistance will help to maintain their security in our mutual defense efforts. Thailand is an ASEAN frontline state which has been forced to utilize its own limited resources to accomplish much needed modernization. The United States is committed to Thailand and the Philippines security by the Manila Pact and our assistance to the Thais is designed to help them develop the necessary self-confidence to deal with expansionist Vietnamese forces in neighboring Kampuchea.

Indonesia is a non-aligned nation but sits across a critical sea "choke point" which we need to insure is not controlled by an unfriendly nation.

I wanted to take this opportunity to point to some of the major factors shaping how we attempt to match program recommendations with country requirements and U.S. strategic objectives. The single most important factor determining the Administration's recommendation is, of course, how a particular program will support and enhance U.S. security interests. Considerable effort is devoted to making prudent proposals, given the resources we can expect and the foreign policy and defense benefits we hope to derive. I should add that most countries do not make unreasonable requests of the United States because they are sensitive to their ability to repay the loans we provide. Most countries, in fact, plan to utilize the funds we provide to support equipment already on hand or to replace older generation hardware with newer equipments. Very few countries have the resources of their own or from us to procure sophisticated weapons systems or to expand their force levels. Neither they nor we are interested in transferring systems they cannot absorb in their force structure.

The overseas security assistance offices are part of the country team and work with the host country Ministry of Defense to develop reasonable and well thought-out programs. Unified commanders and the JCS also comment on developing programs and make recommendations. Through this iterative and balanced approach, we believe the State Department, we in Defense, and the countries involved have developed sound programs which justify your support. With that support, we can

help America's friends and allies in all parts of the world to cope with Soviet or Soviet-supported efforts to destabilize and to exploit their vulnerability.

THE PRESIDENT'S REQUESTS

Secretary Schneider spoke earlier of the substantial boost to our security assistance planning and programming given by the passage of the fiscal year 1982 Foreign Aid Bill. I want to reinforce that view and simply add that having a Bill in 1982 made planning both here and abroad much easier and much more rationale. The Second Continuing Resolution of fiscal year 1983 covered many of the Administration's critical requests, but did not continue the momentum begun in the fiscal year 1982 Bill, a momentum which started to reverse a long period of decline and neglect. Even now, our Foreign Military Sales credit program for fiscal year 1983 ($4.8 billion) is roughly a quarter of what it was in the early 1950's, if computed in constant terms.

The successes we achieved in solidifying newly developed ties, in reaffirming longstanding relationships, in starting or renewing country programs and in containing embryonic conflicts may be short-lived, however, if we must operate for the rest of fiscal year 1983 under the current CRA. International events do not remain static and the gains we have made or those we have a good chance of making in the future may be jeopardized if we do not have more continuity and certainty in our programming. World events ebb and flow between budget cycles and it is therefore periodically necessary to come back to the Congress to keep our programs tuned to changing requirements. No one, for example, anticipated the crisis in Lebanon.

In a broader sense, we risk undermining U.S. credibility abroad if we fail to remedy the shortfalls in the fiscal year 1983 CRA and to continue programs at adequate levels in our fiscal year 1984 request. A start and stop approach to security assistance courts disaster and makes it extremely difficult for other nations to plan wisely and to make the most efficient and effective use of the resources we do provide, as well as those they provide themselves.

We recognize that it may be somewhat confusing to ask the Congress to consider three separate funding requests in the same session. Yet, the Report of the Committee of the Conference last December stated that if serious foreign policy problems resulted from inadequate funding, a supplemental request would be appropriate. The funds available to the non-earmarked countries in the fiscal year 1983 CRA are too limited for meeting major country commitments and requirements. In our estimation, we will have a serious foreign policy problem if restricted to current fiscal year 1983 CRA levels. Some countries will not be able to meet their payment schedules or to initiate new buys, others may be virtually eliminated as a recipient and certain critical countries such as Pakistan and Tunisia would be severely and adversely affected.

The Lebanon crisis was not anticipated but we all can agree that our request for that embattled country is sensible and sound. It would help Lebanon recover from the chaos and destruction of the past year by helping the Armed Forces restore law and order, by equipping two new brigades and by re-establishing its sovereignty and independence, once foreign troops are withdrawn. The additional $251 million for Lebanon is divided between military ($100 million in credits and $1 million in IMET training) and economic assistance ($150 million in Economic Support Funds) because both the Lebanon economy and its military forces were shattered by last year's experience.

The fiscal year 1984 security assistance submission includes only one major increase over the President's fiscal year 1983 request. This increase is to support Turkey's military modernization plan which seeks to bring its Armed Forces up to NATO force goals. This is a most urgent priority. The remainder seeks to continue program levels with no other dramatic increases being proposed. The funding request is less than a 5 percent increase over the President's revised request for fiscal year 1983.

We are seeking a number of high priority objectives in both the fiscal year 1983 Supplemental request and the fiscal year 1984 proposals. These include:

Enhanced funding for Korea in the Supplemental to satisfy agreed-to requirements in its Second Force Improvement Plan (FIP–II). $70 million in guaranteed credits only, and $230 million additional credits in fiscal year 1984.

Funds for Pakistan in the Supplemental and the fiscal year 1984 request to meet our commitment to its multiyear modernization plan. $75 million in the Supplemental and $300 million in fiscal year 1984.

Additional funds for Turkey in fiscal year 1983 to help modernize its armed forces, especially its Air Force after years of neglect. $65 million in credits and $55

million in ESF in fiscal year 1983 and a total of $934 million in the fiscal year 1984 request.

Some additional funds for Tunisia in the wake of the Libyan Threat and U.S. access arrangements. $30 million in grant MAP and $43 million in credits in fiscal year 1983 and a combined country program of $140 million in MAP and FMS credits in the fiscal year 1984 proposal.

Program funds for Caribbean Basin countries, especially El Salvador and Honduras to cope with both military and economic dislocations.

These are some of the major pressing country requirements. Others, including grant MAP funds for The Sudan, Thailand and Kenya are also in the Supplemental request, as are off-budget credits for Jordan and Indonesia.

We are also seeking an increase in the grant military training program (IMET), up from $45 million in the fiscal year 1983 CRA to $56.5 million in fiscal year 1984. IMET is the sole security assistance program and the only military linkage to the United States for many countries. The funds we are requesting would have to be stretched among more than 85 countries and, although we are requesting almost 23 percent more funds than last year, these funds will still not restore the program to the student levels of the mid-1970's. Dollar-for-dollar, this training program continues to be one of the most cost-effective in our entire security assistance program.

Finally, we have not been able to make the best use of the Special Defense Acquisition Fund (SDAF), because the authority to obligate previously capitalized funds has been limited to only $125 million in fiscal year 1982 and another $125 million in fiscal year 1983. This is far short of what was available and what is needed to make the fund truly effective. The monies in the revolving fund are used to procure the military items and services in high foreign demand but are not budgeted and do not come out of the pockets of the American taxpayer; nor are they off-budget credits. Rather, these funds come from receipts of previous foreign military sales. If we are serious about doing advanced procurement planning which will enable us to respond to foreign emergencies without adversely affecting U.S. force readiness, we need the authority to obligate more SDAF funds.

LEGISLATIVE INITIATIVES

Now, I would like to discuss some of the changes in legislation being proposed in the fiscal year 1984 recommendations. There are more initiatives than usual this year because several proposals are being re-submitted from the fiscal year 1983 request. Defense is interested in all the initiatives and we have worked closely with our counterparts in the Department of State in developing only those changes necessary for improving the conduct of security assistance. Let me briefly mention a few initiatives of special interest to the Defense Department.

Several of the proposals seek change in programs involving military-to-military contacts, exchanges and training between United States and foreign military personnel. One proposal seeks to eliminate the confusion in the variable pricing structure for sales of foreign training. In place of the multi-tier pricing system which now exists this proposal would substitute a single price for all FMS training. Enactment would mean we would have only two pricing systems for foreign training—one for FMS and one for IMET. It would also remove some of the pricing discrimination under the present system.

A second proposal would amend section 515 of the Foreign Assistance Act to increase the number of Security Assistance Organizations (SAO's) abroad authorized more than six uniformed personnel. Specifically, we are requesting this authority for nine countries: Tunisia, Sudan, Yemen, Pakistan, Liberia, Honduras, Zaire, El Salvador and Venezuela. Program implementation needs abroad have grown in each of these countries and this proposed change would merely adjust overseas manpower levels to changing in-country program requirements.

Two other proposals from last year's legislative request also relate to military-to-military contacts. One seeks authority for reciprocal one-for-one military exchanges between our senior and intermediate education schools and equivalent schools in other countries. The benefits of such exchanges are easy to cite. They increase the exchange of United States and foreign military doctrine, strategy and tactics, broaden the types of military contacts and augment the military experiences of our senior and intermediate level officers. As it now stands, we can not reciprocate when other governments offer senior level training and a tuition-free basis. This proposal was agreed to by both the House Foreign Affairs Committee and the Senate Foreign Relations Committee last year. It would add no new costs to the U.S. Government.

The other proposal affecting the human contacts side of security assistance would modify the Congressional notification process involving re-programming notices for

grant training funds (IMET). This initiative was submitted last year and proposes a $50,000 threshold below which the normal 15 day reprogramming notification would not be required. The purpose here is a simple one. We want to streamline the notification process to relieve the Congress and the Departments of State and Defense of the larger number of notices, and to speed up the shifting of IMET funds when they become available. It would be most helpful at the end of each fiscal year when IMET funds typically become available for re-programming. Twenty-two of the 50 IMET notifications in fiscal year 1981 and 1982 would not have been required had this proposal been in effect.

I'd like to mention some additional legislative proposals which are designed to improve the administration of the security assistance program. One proposed change would resolve the many conflicting provisions in the Arms Export Control Act (AECA) on the calculation of the administrative surcharge we add to foreign military sales to cover the cost to the U.S. Government of managing the program. We believe that we should recoup only those costs that are incurred for the benefit of foreign purchasing governments. This is a difficult issue, but it is one which is very important to the integrity of the FMS program. We are re-submitting this initiative from last years legislative package.

Another legislative change seeks authority to allow the use of FMS administrative funds for representational purposes. These funds, if approved, would augment MAP appropriated funds and would mean that our representatives overseas would not have to use their own resources to meet the social obligations inherent in their professional duties. We estimate that between 30 percent and 40 percent of the costs of representational functions are paid from personal funds. Setting aside a small portion of the returns from our FMS program receipts would not be an added burden to the American taxpayer because it would not require any budget outlays. Our representational funds have been declining in recent years despite rising costs, increased requirements and the increased visibility of our security assistance programs. It is unfair to our personnel in the field to require them to use personal funds when they are representing the U.S. Government. Approval would be a big morale booster to our representatives in the field and would signal that their services are appreciated and valued.

CONCLUSION

Mr. Chairman, let me conclude by saying there is diminishing flexibility in the way we can use available funds, since so much is tied down by earmarks or by previous commitments. Without flexibility, we are forced to return to Congress for supplemental or emergency appropriations to support the peace process, for breakthroughs in obtaining access to facilities, or in response to renewed conflicts—with the real danger that opportunities may be lost.

We derive many benefits from our security assistance program. Secretary Schneider and I have touched on a number of these. The major contributions of security assistance from a Defense perspective is that it enables other countries to cooperate with the U.S. in developing working and viable collective security arrangements, in sharing the collective burden of defense and in furthering our security interests. These programs are low cost investments in U.S. security and, to a limited degree, in the U.S. economy. Short of stationing U.S. forces abroad, the security assistance programs provide the most visible assurance of continued U.S. readiness to stand by our friends and allies. I know that I reflect the views of the Secretary of Defense when I urge the Committee to give favorable consideration to the Administration's security assistance proposals for fiscal year 1983 and fiscal year 1984.

That concludes my remarks. I would be pleased to answer any questions. Thank you.

The CHAIRMAN. Thank you very much, General.

We will proceed under the 10-minute rule. I would like to ask you first because there is mention in your testimony that the special defense acquisition fund that was authorized for about $150 million—it was highly controversial but Senator Tower and I both supported it. It made good sense to me to give you leeway to go after long lead-time items and be better prepared.

Is this fund now in active use, has it proven to have a useful function? Can you point out any examples of where it has been helpful to you in giving you that additional flexibility?

General GAST. Senator, you recall that it was approved just prior to the fiscal year's end, and we were authorized to obligate $125 million. We were able in the time remaining to get about $109 million of that on order for procurement. Some of it we could not obligate because the authority expired at the end of fiscal year 1982.

Included in the list of equipment on order were M-60 tanks, radios, some Maverick missiles, radars, and TOW's. They are now in production.

At this stage we have not yet had countries come in and request those kinds of items which we would be prepared to offer. However, given what we know of country requirements and the kinds of items that we selected, we believe that the programs will be very viable.

We are requesting authority for 1984 to obligate $325 million, and we have the funds for that, sir.

The CHAIRMAN. Thank you.

Secretary Schneider, you have mentioned that security assistance is cost effective, it would cost $60,000 to equip and maintain one U.S. solider in Turkey should that be necessary; it costs only $9,000 for one Turkish soldier.

We certainly have an interest in strengthening and helping Turkey. But if our military assistance is used as it was used, for Turkish soldiers to move in with force into Cyprus and to maintain an occupation there, that is not helpful. It is not conducive to strengthening alliance, it exacerbates it. It puts two allies head-on against each other.

How high have we raised the priority of Cyprus? I notice we have some much needed economic, military assistance here for Cyprus. But how high have we raised this in priority? I am trying to resolve that problem, it has gone on year after year, after year. You still have the city of Famagusta sitting there as a ghost town. You have thousands of refugees that are separated, that cannot return to their homes. You have a divided country.

Little progress is being really made in the talks that are going on. How high is this in priority in the State Department? Are you prepared to give us some information on that? Certainly, it is not in your direct area. I would like a written answer from the Department on that.

Mr. SCHNEIDER. I will give a more detailed response for the record. But from the perspective of our interest in the region, trying to resolve these rending disputes between two very important allies is an extremely high priority matter to the administration. It is something that frustrates our ability to have a wholly effective measure of alliance and cooperation in a region that has become more critical to our foreign policy than it has at any time in the past.

Suffice it to say that these problems are extremely difficult. We are, however, trying to do everything we can to render a satisfactory solution to these problems between the countries involved.

As I said, I will give you a detailed paper on where we stand on these efforts for the record.

[The information referred to follows:]

CYPRUS: ADMINISTRATION'S EFFORTS FOR SOLUTION

[SUBMITTED BY THE DEPARTMENT OF STATE]

The Administration has from its very first days placed a high priority on the achievement of a just settlement. We are committed to that goal, for as long as Cyprus is divided and its status uncertain, it constitutes a humanitarian issue and it also remains a serious barrier to good relations between Greece and Turkey.

In support of our commitment to achieving a Cyprus settlement, the Administration has made extensive efforts to encourage realistic and meaningful negotiations between the parties which are being conducted under the auspices of the U.N. Secretary General.

The Secretary of State has appointed a Special Cyprus Coordinator who is responsible for orchestrating our activities with the parties in support of the U.N. talks.

Following the recent Cypriot elections the talks will resume and will address substantive issues. These talks represent, a feel, the best forum presently available for resolving differences and finding a just and lasting solution acceptable to both parties.

FISCAL YEAR 1983 AND FISCAL YEAR 1984 ASSISTANCE REQUESTS

U.S. assistance to Cyprus since the 1984 Turkish intervention in the north has totalled $140 million, most of which has gone to UNHCR efforts to resettle refugees. With funds available under the Continuing Resolution, we are allocating $5 million, likewise, to go to that program. In addition, the U.S. funds a scholarship program which brings students—from both communities—to this country for university studies. The program, even as presently funded will continue to provide scholarships for several more years. We have requested an additional $10 million for this program in the fiscal year 1983 supplemental. Our fiscal year 1984 budget request includes $3 million which we intend to allocate to the scholarship program as well.

NEGOTIATIONS

The United States continues strongly to support the ongoing negotiations between representatives of the two communities and the good offices role being played by the U.N. Secretary General's Special Representative. Our Special Coordinator, Christian Chapman, maintains close contact with all parties to the discussions.

Following the recent Cypriot Presidential elections the talks will resume and will address substantive issues. These talks represent, we feel, the best forum presently available for resolving differences and finding a just and lasting solution acceptable to both parties.

The CHAIRMAN. I would like to see the priority raised just as, when I came back from Namibia, I felt that we were not giving that area proper priority. Secretary Kissinger assigned it to top-level people instead of keeping it down at the bottom of the barrel and we have made real progress since then. Just as Great Britain assigned high priority to Rhodesia and Zimbabwe did result from that effort.

So, I hope that we would put higher priority on the question of Cyrpus because it is a tremendous aggravation between two of our major allies. Certainly, it leaves our flank down there exposed if they will not finally come together.

The problem, as I have seen it, is a solveable problem.

Mr. SCHNEIDER. Yes; I agree with you.

The CHAIRMAN. There is not a single element that cannot be solved somehow. No one is going to be completely happy but they can be somewhat unhappy equally, possibly.

In your prepared statement you mentioned, "Countries like Oman, situated at the strategic entrance of the Gulf of Hormuz, count as key features in our own defense planning for the region."

I have been twice to Oman, looked at our air strips there. We do have a critical situation in that whole region. Years ago I wrote to

the Prime Minister of Japan, indicating that this is one of the areas. As we start to build our Rapid Deployment Forces out there, we are protecting, providing protection for the free world to that area.

Yet, we are the third major user of oil from the area. Japan is totally, really, dependent on it. They would be decimater, they would be brought to their economic knees if they were ever cutoff—and it could easily be cut off.

Second, Western Europe is the next most dependent, and we are third because we have far more resources from other areas of the world and our own than the other countries. Yet, the whole burden—Europe is doing nothing to help us down there. They specifically say, "NATO will not reach out to there," and yet, what could be more vital?

How are we coming with Japan now in having them recognize that? It has been years we have been talking. I had 39 Senators sign my letter to the Prime Minister years ago. How are we coming in getting them to recognize that their security depends upon things that happen a long ways away from them? What could be more related to their military and economic security than the supply of oil?

Are they helping us at all in that area?

Mr. SCHNEIDER. Yes, Mr. Chairman. In fact, Secretary Shultz had a very good exchange with the Japanese on his recent Asian trip. One of the important factors that Secretary Shultz noted in his conversations is, the Japanese have begun to view themselves as a nation that has a responsibility for the entire system or the entire world order of which it is not a principal beneficiary.

In doing so, one tangible example of this is a renewed willingness of the Japanese to coordinate their economic assistance activities in areas that are of strategic interest to the alliance of which the Japanese are a part.

One of the areas specifically in relation to the Southwest Asian contingency that the Japanese have explicitly recognized is an aid program for Turkey. They have not had a large scale bilateral interest in Turkey. Yet, Turkey is very important to the world order and the international system which Japan so conspicuously profits from.

So, I think the efforts of yourself and other Members of Congress have had a good effect and I believe we have in the new Japanese Prime Minister a man who clearly recognizes this. I think we can look forward to more of this in the future.

STATEMENT OF HON. M. PETER McPHERSON, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. MCPHERSON. Senator, you may recall that almost a year ago now we entered into an informal agreement with our Japanese counterparts whereby once a year I would go there, or their aid director would come here, to coordinate our programs.

Out of this have come some very concrete projects where the Japanese are funding some aspects and we are funding other components of the same project. In fact, as Bill is suggesting, the Japanese are moving well beyond their traditional spheres of activity.

For example, they have recently provided foreign aid money to Jamaica. In the historical context, that is a fairly major step.

The CHAIRMAN. I am delighted to have that on the record. I was tremendously encouraged from the talks we have with Prime Minister Nakasoni when he was here. He seemed to see the close correlation between the future economic well-being of Japan and some of the things that they were doing.

Have they picked up on our idea that I proposed to them several times—and I hear that they have done some purchasing—of having a Public Law 480 program of their own, buying with all that huge surplus of yen that they have and our $10, $20 billion deficit with them, buying crops of which we have plenty, and using them in humanitarian assistance in other parts of the world?

Mr. MCPHERSON. I do not believe they have an effort of that nature at this time. I think they have some of their own rice which they are using. But to my knowledge they have not used, their yen to purchase our agriculture surplus to in turn, distribute it.

[The following information was subsequently supplied for the record:]

U.S. INTERNATIONAL DEVELOPMENT COOPERATION AGENCY,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., March 14, 1983.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I want to follow up on a question you raised at the SFRC hearing on February 17 on whether Japan has purchased any U.S. commodities for use in Japanese food aid programs.

In checking with appropriate offices in the Department of State and Agriculture and AID, records show that Japan in 1981 purchased 32,000 metric tons of U.S. wheat valued at $8.5 million to use as food aid. Similar Japanese purchases of U.S. wheat in 1982 total over $15 million and benefited Rwanda, Sudan, the World Food Program and the U.N. Relief and Works Agency for Palestine Refugees (UNRWA). Japan last year also bought substantial amounts of U.S. wheat to assist Afghan and African refugees. Most recently, Tokyo provided a grant of ¥518 million to Kenya tied to the purchase of U.S. wheat. We have asked Japanese officials for any other details on their procurement of U.S. commodities and will furnish you the details when received.

Sincerely,

M. PETER MCPHERSON,
Administrator.

The CHAIRMAN. Thank you very much.

Senator Pell?

Senator PELL. Thank you, Mr. Chairman.

One specific question in regard to Cyprus. What percentage of the weapons that the Turks have used in occupying Cyprus are not of American origin? Do we have any knowledge there?

Mr. SCHNEIDER. I will try to get a specific answer for the record for you. But since most of Turkey's access to arms historically has been from the United States, I would imagine that most of them were of American origin.

[The information referred to follows:]

CYPRUS: USE OF U.S. ARMS

[SUBMITTED BY THE DEPARTMENT OF STATE]

Except for small arms, some mortars and trucks that are of Turkish origin, virtually all the military materiel with Turkish forces in Cyprus is believed to be of U.S.

origin. As you will appreciate, we are not in a position to monitor total flow of supplies and equipment to Turkish forces in Cyprus. However, reports from our embassies in Ankara and Nicosia indicate there has been no movement of major U.S.-supplied items to the island since 1974.

Senator PELL. I just wanted to support the point made by the chairman that efforts to resolve the problem of Cyprus should be raised in priority within the Department. I have a feeling it is being pushed to one side of the back burner, and I would like to see it get more to the front burner.

Another more general question is my original one. Would one of you imagine that you are on the hustings in Rhode Island or Cicero, Ill. or some place of that sort where people, as I said earlier, are hungry, cold, and jobless, and give me your one-syllable word explanation why it is to their advantage to move ahead with the aid programs?

Mr. SCHNEIDER. It is a very good question, Senator, and one that I am personally very interested in—in part because I had the privilege of working for the Congress as a staff member for about 10 years and I appreciate the burden that Members like yourself have carried for these many years.

Senator PELL. We miss your smiling face up here, I would add. You realize that is why I think you are particularly appropriate to answer this question.

Mr. SCHNEIDER. Thank you, Senator.

I would point to four general issues that I think would at least contribute to an answer that you or other Members could provide to your constituents who are particularly concerned about why we should be——

Senator PELL. Just imagine you are on the hustings yourself.

Mr. SCHNEIDER. Yes. Well, in the first instance I would argue that foreign assistance should be viewed in large measure as an initiative by the United States that helps provide markets and jobs for American workers, rather than viewing foreign assistance as a handout that disappears into the morass of foreign policy.

Rather, the foreign assistance that we provide in many ways directly benefits the American work force. For example, take our security assistance program. All of the funds provided in the security assistance program go to purchases of equipment or services in the United States. Offshore procurement is not permitted.

Second, the economic assistance that we provide does not only provide economic stability in countries that we assist but also provides a basis for economic growth, provides for markets in these countries for American products.

The fact that nearly 20 percent of the American work force and about 40 percent—rather one-third of the farm acreage, goes to export markets underlines the great benefit this amount of money has for American workers.

Senator PELL. Excuse me, are those statistics right? I thought it was about one-third of the farm values, not 40 percent.

Mr. SCHNEIDER. I corrected it to be one-third. About 20 percent of the work force in some way is a participant in foreign trade.

So, the United States is no longer an insular economy, it is very involved in the world. Also, the total foreign assistance program of about $14 billion is on the order of 5 percent of our defense budget

and yet contributes enormously to the economic dynamism of countries that provide viable sources of markets and jobs for Americans.

So I would say, in "crass" political terms we should treat this as a jobs program for Americans. [Laughter.]

Senator BOSCHWITZ. I am not sure that would sell in Minnesota, stated just that way. [Laughter.]

Senator SARBANES. Do I understand that comment that you are now arguing we should tell our constituents that the foreign aid program is a jobs program for Americans? [Laughter.]

Mr. SCHNEIDER. It has the property that it provides jobs for Americans, and in addition it supports foreign policy objectives that directly relate to the safety and security of America.

Senator SARBANES. Should we stand on our heads as we make this argument to our constituents, or ask them to stand on their heads as they hear it? [Laughter.]

Mr. SCHNEIDER. No; I think the way in which the foreign assistance program is run is something that, regrettably, is not well understood. Not only this administration but previous administrations have to bear some of the burden for not being very effective in explaining this.

The point I was trying to make with Senator Pell was that when you examine how the funds are actually spent in the foreign assistance program, they are spent in the United States on American products and services, resulting in jobs for Americans.

Senator PELL. Those are two reasons. You were going to give us four.

Mr. SCHNEIDER. Yes; a third reason relates to the specific point of our security assistance program. We are now laboring under the circumstances of having to spend a substantial amount on our national defense program because of the deterioration in the security environment on a worldwide basis.

However, if we tried to go it alone on national defense and tried to provide for the protection of all of our interests on a worldwide basis solely through unilateral American effort, the amount that we would be obliged to spend on defense would be very substantially increased.

The fact is that through the security assistance program we are able to achieve our interest in providing for the safety and security of our own people at much lower costs than it would be done if we were obliged to do it unilaterally.

The fourth point I would like to make in this regard is, talking historically, we have too often focused only on the current year's security assistance program and tended to neglect the fact that the security assistance program has been very successful in the main. That is not to say that there have not been some failures. But we can cite, for example, the case that security assistance in considerable measure, coupled with economic assistance or foreign aid in general, basically saved Europe which in turn has provided a very good market for American products and one which we have had great benefits from.

Similarly, Korea or Israel. Security assistance in particular has been particularly effective in providing an environment where these economies can become dynamic contributors to the world eco-

nomic scene and be good markets for the United States, and very helpful allies as well.

Just as a footnote that General Gast provided me with, just in the State of Maryland, for example—to take a State close at hand—$318 million of the FMS program went to firms in Maryland.

The economic benefits to Americans of the security assistance program are fairly widespread.

Senator PELL. Well, are not your third and fourth reasons basically the same, that with dollars you can buy security?

Mr. SCHNEIDER. No; I was misinterpreted if you describe it that way. What I was saying is that by providing security assistance funds to nations that share our security interest, we can provide them with a catalytic resource that enables them to assume the burden of their own security. By doing so, it provides an environment in which the economic dynamism that is embedded in many of these countries can surface.

That economic dynamism contributes to markets and jobs for Americans.

Senator PELL. Would there be any relationship between the form of government, or are we talking here entirely from the viewpoint of Realpolitik?

Mr. SCHNEIDER. In general, the economic effectiveness is correlated with a free society. It is unlikely that a wholly totalitarian society will be an effective economic performer. For that reason, we have great interest in promoting the existence and maintenance of democratic regimes because of the coupling that that has to economic activity.

To be sure, there are countries that are economically successful that have less than democratic regimes. However, the tendency toward more personal liberty, in our judgment, contributes to a greater economic effectiveness.

Senator PELL. I appreciate that. Obviously, Turkey is the great exception here because there is no democracy whatsover there at this time and yet, we are helping them.

I would like to ask—I see my time is about to expire—one further question on a country which I am particularly interested in, which is Portugal.

I was reading in your statement that this fiscal year there will be $105 million to provide a second squardron of A–7P aircraft and an antisubmarine warfare frigate program. But what are we doing vis-a-vis Portugal to insure the continued use of the base in the Azores?

Mr. SCHNEIDER. Well, we have negotiations ongoing with the Portuguese relating to the details of the access to those bases. Our security assistance program is intimately tied up with our mutual security interests with the Portuguese. We are optimistic that we will reach a successful agreement with the Portuguese to provide for continued use of those very critical facilities.

Senator PELL. I do not believe we should take them for granted.

My time has expired. I would ask if you would put a written reply to my question as to the jobs impact of security assistance. This is an interesting thought you have advanced here. Maybe you could break it down on a State-by-State basis a little bit, and what

is the specific beneficial effect to the jobless worker of the security assistance program.

Mr. SCHNEIDER. I will be pleased to provide that for the record.

[The information referred to follows:]

BUSINESS GENERATED BY FOREIGN MILITARY SALES

The following table shows the dollar value in fiscal year 1981 and 1982 on a state-by-state basis of prime contracts awarded for foreign military sales. These figures do not include sales from U.S. service stocks. The expenditure of funds is likely to be spread over several years following signing of a contract for major military items. Since contracts awarded by the U.S. Government do not stipulate how the product will be used, the contractor may or may not be aware that a given contract or portion of a contract is for a foreign customer.

DOLLAR AMOUNTS OF DOD PRIME CONTRACT AWARDS FOR FOREIGN MILITARY SALES—NET VALUE OVER $10,000

[In millions of dollars]

State	Fiscal year 1981	Fiscal year 1982	Total
Alaska			
Alabama	22.3	48.1	70.4
Arizona	179.5	169.3	348.8
Arkansas	1.3	.75	2.05
California	733.7	1,038.3	1,772.0
Colorado	2.6	7.0	9.6
Connecticut	413.7	303.6	717.3
Delaware	.35	.18	.53
District of Columbia	4.5	13.9	18.4
Florida	405.2	477.4	882.6
Georgia	43.4	88.9	132.3
Hawaii			
Idaho	.14	.15	.29
Illinois	52.2	16.2	68.4
Indiana	104.9	148.9	253.8
Iowa	35.8	9.3	45.1
Kansas	3.1	7.3	10.4
Kentucky	.79	1.4	2.19
Louisiana	1.4	.67	2.07
Maine	12.2	6.1	18.3
Maryland	189.3	173.7	363.0
Massachusetts	262.6	279.5	542.1
Michigan	169.1	318.1	487.2
Minnesota	57.4	129.8	187.2
Mississippi	4.3	2.2	6.5
Missouri	1,015.9	447.5	1,462.5
Montana			
Nebraska	.35	.18	.53
Nevada			
New Hampshire	9.0	45.3	54.3
New Jersey	49.1	44.0	93.1
New Mexico	.36	2.2	2.56
New York	293.3	156.4	449.7
North Carolina	69.9	42.8	112.7
North Dakota		.13	.13
Ohio	70.2	81.4	151.6
Oklahoma	36.7	.69	37.39
Oregon	2.9	1.9	4.8
Pennsylvania	95.0	57.6	152.6
Rhode Island	4.0	3.0	7.0
South Carolina	.44	.70	1.14
South Dakota	.41		.41
Tennessee	5.9	3.4	9.3
Texas	555.7	698.8	1,254.5

DOLLAR AMOUNTS OF DOD PRIME CONTRACT AWARDS FOR FOREIGN MILITARY SALES—NET VALUE OVER $10,000—Continued

[In millions of dollars]

State	Fiscal year 1981	Fiscal year 1982	Total
Utah	6.0	7.5	13.5
Vermont	33.1	17.9	51.0
Virginia	172.1	415.9	588.0
Washington	10.5	405.2	415.7
West Virginia	7.5	1.1	8.6
Wisconsin	41.1	17.9	59.0
Wyoming			
Total	5,178.34	5,692.25	10,870.59

The CHAIRMAN. Thank you, Senator Pell. Senator Boschwitz?

Senator BOSCHWITZ. In any case, I agree with the analysis that you gave Senator Pell. I think we have to put this kind of stuff to music a little bit more, as a politician is able to do. You were doing fine until you suggested that we call it a "jobs program." [Laughter.]

But I think the other parts of it are quite correct and I might say that I have been able to—with some success—convince some of my constituents that support of international relations is an important part of our national well-being.

In your statement you point out that it costs $60,000 to equip and maintain one U.S. solider in Turkey and it costs only $9,000 for one Turkish soldier. Is that $9,000 an internal cost or is that the cost——

Mr. SCHNEIDER. That is the cost to the Turks of maintaining the soldier.

Senator BOSCHWITZ. To the Turks?

Mr. SCHNEIDER. Yes.

Now, we provide through our security assistance program either on a grant or a loan basis the means of equipping or training the Turkish soldiers. So, some fraction of the cost would be borne by the United States.

Senator BOSCHWITZ. It is $60,000 to maintain one U.S. soldier. In Turkey, how many are there in total, approximately?

Mr. SCHNEIDER. It is a relatively modest number. I would have to supply the exact number for the record for you.

[The information referred to follows:]

FUNCTION OF U.S. TROOPS IN TURKEY

There are about 5,100 U.S. military personnel in Turkey. They man communications, intelligence, and logistics facilities as well as a major air base at Incirlik. In addition, they serve as NATO staffs at Izmir and on the Joint U.S. Mission for Military Assistance to Turkey (JUSMMAT).

Senator BOSCHWITZ. So that they are there without much equipment and so forth.

Mr. SCHNEIDER. Well, they are there for relatively specialized purposes. We do not have a ground force contingent the way we have in West Germany or elsewhere.

Senator BOSCHWITZ. What is the cost in West Germany or in NATO?

Mr. SCHNEIDER. It is similar. That is an average cost of deploying a U.S. soldier on a regular basis abroad. This includes the salary, operation, and maintenance for his deployment there, and some imputed cost of equipping him.

Senator BOSCHWITZ. Does it include some of the heavy equipment as well?

Mr. SCHNEIDER. Yes; it is the imputed cost of the equipment that he operates.

Senator BOSCHWITZ. I know that we will get around to aid in the Middle East. Perhaps we should look in the case of the Israelis, it is even a good deal less in that case than $9,000.

Mr. SCHNEIDER. Well, the Israelis operate a force structure slightly differently. They have a very large reserve contingent and a small active contingent, and that contributes to a reduction in the cost of maintaining the force which is the principal cost of a soldier in the field.

Senator BOSCHWITZ. Now, as I listened to you testify, Mr. Secretary, I listened to you talk about the fact that the amount we would be obliged to spend on defense would be greatly increased.

I wonder, perhaps we could allay some of the problems that we have in defending the foreign assistance budget by including some of it in the defense budget. Would that be a practical approach in your judgment?

Mr. SCHNEIDER. I think the reason for not doing that relates to the way in which the Congress has been organized to consider these matters, namely that because security assistance relates to the conduct of foreign affairs, this matter is best attended to by the channel, so to speak, in the Congress that addresses foreign relations.

Senator BOSCHWITZ. But yet, we have 355,000 troops in NATO, 138,000 troops in the Far East. Those costs come in as part of the military budget.

Mr. SCHNEIDER. Right.

Senator BOSCHWITZ. Yet, they really are extending help to those countries as well.

Mr. SCHNEIDER. Well, under the interpretation of the Foreign Assistance Act, the deployment of U.S. forces in these circumstances is not considered foreign assistance and hence is considered in Congress as U.S. defense program.

At the macrolevel when the President decides on resource allocation, one of the basic choices he has to make is between investment of resources for U.S. Forces and investment in security assistance accounts.

To some degree because of the high leverage of foreign assistance, to the extent that we can solve some of our regional security problems effectively with foreign assistance, it mitigates the problem.

Senator BOSCHWITZ. Maybe we should expand the foreign assistance budget and thereby be able to reduce some of our defense commitments.

Mr. SCHNEIDER. The basic trade-off that this administration made was looking at the balance between the two, and it believes the bal-

ance that has been presented to the Congress in its 1984 budget request is an optimum choice between the two.

Senator BOSCHWITZ. I agree with you, incidentally, that is not part of the argument that I make—that if we did not give these foreign grants and loans, and I am quite sure whether loans are counted as part of the budget inasmuch as they are above the cost of the Government.

Mr. SCHNEIDER. They are paid back.

Senator BOSCHWITZ. They are paid back. They are paid back rather well.

Mr. SCHNEIDER. That is right.

Senator BOSCHWITZ. But there is no question that our defense budget would be ratcheted up much more than it is being done in the event we were not to give this kind of help.

On the Lebanon supplemental I was interested to know, How much are the Arab nations giving the Lebanese? How much have they pledged, and how much has been forthcoming?

Mr. SCHNEIDER. Well, perhaps Mr. McPherson might have some insight in that since he is managing the ESF component of the Lebanon supplemental.

Mr. MCPHERSON. The Arab nations have, through private citizens given a substantial amount for the immediate charity needs after the invasion. We do not know the exact amount.

As to funds for the major reconstruction needs that are facing that country or for military security needs, the Arab community has indicated that they are closely following the progress of the withdrawal of foreign troops from the country.

Senator BOSCHWITZ. I see. Perhaps we should do that in that case and not give our moneys at this early time.

I submit that little has been promised, none has been forthcoming. If one looks at the history of the Middle East, probably not much will be forthcoming.

I note recently in Yemen that there was a very sizable earthquake that made 200,000 to 400,000 people homeless and, to the best of my knowledge, the Saudis have not come forward.

I hope that our Government is insisting that some of the nations there that do have the resources come forward. In the meantime, they are supporting wars between one another that have quite an impact on the retention of higher oil prices.

So, are we making efforts in that regard, Mr. Schneider?

Mr. MCPHERSON. Yes, Senator. We believe that the Arab community indeed will want to have a broad role in the reconstruction of Lebanon.

Let me go back to Yemen for just 1 minute. We have a fairly modest economic assistance program in Yemen, and it is dwarfed by the huge program which the Saudis have. The amount of work they did in immediate repsonse to the earthquake, it is true, was quite small. But they have tremendous continuing budgetary resources going into Yemen in much greater amounts than we have.

Senator BOSCHWITZ. Well, we have very little going into Yemen.

Mr. MCPHERSON. I do not have the Saudi figure with me, but we are talking about hundreds of millions of dollars, probably, going from Saudi Arabia to Yemen on a regular basis. I assume that the Saudis would argue that through that level of budgetary support—

that is, their assistance is not tied to specific purchases—they would argue that, in effect, they have provided quite a high level of funds to the earthquake relief.

Going back to Lebanon, we strongly agree that the Arab community will want to put a large amount of resources into that country. There are some outstanding commitments from the Arab community to Lebanon which the Lebanese will in due course be able to draw upon.

We think that the political and economic reconstruction of Lebanon go hand in hand, and that some help from us at this time is a critical factor.

Senator BOSCHWITZ. It is hard to disagree with that. But I hope that all possible leverage will be used to see that their neighbors perform. In the past there have been many promises and little performance, and all commitments are good.

I would be interested in pursuing that with respect to the Greek program and that we straight line them only because currently we are negotiating with them on bases. I presume one or two of my colleagues will ask about that. One would have to ask why we did not straight line their neighbors in that case and not exacerbate matters.

Press reports are that Defense Secretary Weinberger has rejected the agreement previously initialed with Israel to share technology and information learned during the fighting between the Israelis and Syrians.

Did the State Department approve the agreements before they were initialed, and would it not be to the advantage of U.S. military to have the benefit of the Israeli experience?

From what I understand, the Israelis are somewhat reluctant to give away information that will be transferred to people who have relations with some of the Israelis' protagonists.

Did not the Department of State approve the agreements and would it not be to our advantage to pursue that? It would almost appear that Secretary Weinberger in a state of annoyance with the Israelis have decided not to go through with what was previously a commitment.

Mr. SCHNEIDER. In, I think, everyone's view it would be of great interest to gain from the military esperience that the Israelis encountered, especially dealing with some of the modern Soviet equipment that has been used in the Lebanon conflict.

The details of the terms under which the information is transferred, I think, is the subject of some difficulty. It is my hope that an agreement will be worked out so that we can effectively share the information, which we have done for many, many years to our mutual benefit.

I am not specifically knowledgeable about Secretary Weinberger's deliberations on the subject. But I know in general that the Department of Defense is as interested as anyone else in gaining from this experience.

Perhaps I can look into it a little further and provide something for the record.

[The information referred to follows:]

INTELLIGENCE SHARING WITH ISRAEL

As a general matter, we have long-standing cooperative relationships with Israel in intelligence areas as well as other areas. We expect these relationships to continue and feel that they more than adequately address our needs for sharing recent military intelligence with Israel. Regarding the MOU in question, we have this matter under discussion. Beyond that, I am unable to go into greater detail on intelligence matters on the open record.

The CHAIRMAN. Thank you, Senator Boschwitz.

Senator BOSCHWITZ. Just one comment without making it a question, Mr. Chairman. That is that I agree with your efforts to change section 21 regarding the multitier pricing of sales of training. I have spoken with General Vessey about that and tried to introduce something the last time that would help in that.

General GAST. We appreciate your support, sir. Thank you.

Senator BOSCHWITZ. I think that is very useful.

The CHAIRMAN. Thank you very much.

General Gast, this is your first meeting with us.

I would like to just say for the record that the comments with respect to the jurisdiction of where foreign military assistance has been, it has been certainly for four decades that I know of in the jurisdiction of the Foreign Relations Committee simply because of the very strong foreign policy implications of where we do offer assistance. They seem to be overriding and that has been fully accepted by the Senate.

General GAST. Thank you.

The CHAIRMAN. Senator Sarbanes?

Senator SARBANES. Thank you, Mr. Chairman.

Mr. Schneider, I was very concerned by your response to the chairman's indications of the importance he attaches to a high priority on the Cyprus issues. You seem to suggest that you agree with placing that high priority. Is that correct?

Mr. SCHNEIDER. That is correct.

Senator SARBANES. Well, it seems to me the material you have submitted to us would lead one to just the opposite conclusion.

We earmarked assistance for certain countries in the continuing resolution, is that correct?

Mr. SCHNEIDER. That is correct.

Senator SARBANES. Have those earmarks been honored by the administration as it comes to us now with these submissions for a 1983 supplemental?

Mr. SCHNEIDER. Yes.

Senator SARBANES. All of them?

Mr. SCHNEIDER. In the case of Cyprus, we are seeking the additional funds to meet the earmark in the course of the supplemental.

Senator SARBANES. We earmarked $15 million, is that right?

Mr. SCHNEIDER. That is correct.

Senator SARBANES. We earmarked money for other countries as well.

Mr. SCHNEIDER. That is correct.

Senator SARBANES. I understand, then, that only in the instance of Cyprus you are not honoring the earmark and asking for part of that money in the supplemental; is that correct?

Mr. SCHNEIDER. Cyprus is the only country in which we are seeking the earmark through the supplemental, yes, sir.

Senator SARBANES. On the others you are meeting the earmarks out of the continuing resolution?

Mr. SCHNEIDER. That is right.

Senator SARBANES. What is the rationale for not honoring the congressional earmark?

Mr. SCHNEIDER. Well, let me say by way of preface that we intend to honor all of the earmarks and Secretary Shultz, in reviewing the situation that we faced under the continuing resolution, made the decision that we had to seek supplemental relief.

The course of action that we took was to apportion the continuing resolution based upon the most urgent needs that had to be funded early in the fiscal year, and we would be able to fund the subsequent program out of the supplemental.

Senator SARBANES. I understand your coming back with a supplemental in those areas where you say you are not going to have enough. But how can you throw into your supplemental the earmarks which the Congress had specifically made in passing the continuing resolution?

Mr. SCHNEIDER. It is simply a question, Senator, of the time phasing of implementing the foreign assistance program. Under the continuing resolution, we are trying to meet the most urgent priorities as they come in first and seeking to fulfill the balance of the program which we intend to implement later in the fiscal year.

Senator SARBANES. To go back to how candid you were in your response—as I understand it, while we earmarked in the authorization bill, you have ignored that earmark in one instance as far as the supplemental request is concerned, and that it is in the case of Cyprus.

So that the $15 million earmarked is not being honored except to the extent of $5 million, and you are asking for the other $10 million in the supplemental; is that right?

Mr. SCHNEIDER. That is correct.

Senator SARBANES. If there is no supplemental, what will happen to the other $10 million?

Mr. SCHNEIDER. Under the present apportionment plan, which represents our best judgment at the time it was put together, we would not be able to meet the full earmark.

Senator SARBANES. Now, do you regard that as a heightening of priority of our concerns on Cyprus or diminishing it?

Mr. SCHNEIDER. Well, in terms of what is being funded under the continuing resolution, we are fully funding the refugee program. The remaining funds that are in question in the supplemental relate to expanding the scholarship program. The scholarship program has been fully funded in 1982 for 7 years. The additional funds would expand the size of that program.

So, in terms of budget priorities I think we are attending to the portion of the Cyprus program that is most crucially related to the ends we discussed about the priority.

Senator SARBANES. What is your request for Cyprus in fiscal year 1984?

Mr. SCHNEIDER. $3 million.

Senator SARBANES. $3 million?

Mr. SCHNEIDER. Yes, sir.

Senator SARBANES. Compared with $15 million, is that right?

Mr. SCHNEIDER. No. The administration's request in fiscal year 1983 was zero, and in fiscal 1984 the request has been $3 million.

Senator SARBANES. You are asking for $10 million in the supplemental.

Mr. SCHNEIDER. That is right. We take the congressional earmarks seriously.

Senator SARBANES. You are taking it down from $15 million to $3 million; is that correct?

Mr. SCHNEIDER. That is correct.

Senator SARBANES. Do you regard that as a heightening or diminishing of priority?

Mr. SCHNEIDER. I think it is fair to regard it as a heightening of priority because the administration had zero request in fiscal 1983, and we have had an infinite increase in percentage terms to $3 million.

Senator SARBANES. How much are you increasing MAP by in this proposal for 1984?

Mr. SCHNEIDER. Let me just get the precise number here. The MAP program over the fiscal 1983 request is increased about $200 million. The fiscal 1983 request was——

Senator SARBANES. Well, over what the Congress did.

Mr. SCHNEIDER. In the second continuing resolution, Congress provided $290 million, and in fiscal 1984 we are requesting $747 million.

The CHAIRMAN. So, that is an increase of about 157 percent; is that correct?

Mr. SCHNEIDER. That is correct.

Senator SARBANES. Now, General Gast made the point in his statement—I thought it was an interesting point—of the fact that the military aid required on a loan basis acted as a restraint on countries in making a tougher judgment as to their military needs.

Where in your statement is that, General, do you recall?

I would add that most countries do not make unreasonable requests of the U.S. because they are sensitive to their ability to repay the loans we provide.

Now, are we moving away from that to a greatly heightened military assistance grant program?

Mr. SCHNEIDER. No. The purpose of the additional MAP program reflects the fact that because of the extremely high interest rates that the FMS program had to deal with, the amount of concessionality in the foreign military sales program is best introduced through judicious amounts of grant assistance.

Senator SARBANES. Which countries are getting the biggest increase in military grants?

Mr. SCHNEIDER. Certainly Turkey is getting a significant increase.

General GAST. May I at least partially respond to your answer, sir? You are speaking of Turkey, Portugal.

Senator SARBANES. How much is Turkey going up on grant aid?

General GAST. Turkey would be $230 million next year, in 1984, sir.

Senator SARBANES. And the other countries you are talking about?

General GAST. We are speaking of Portugal, Tunisia. I am setting aside the forgiven for Egypt and Israel. We are speaking of Honduras, El Salvador.

Senator SARBANES. In what amounts, roughly?

General GAST. For Portugal it would be $60 million; for Honduras, $40 million; El Salvador, $55 million; Somalia, $40 million.

Senator SARBANES. And $230 million for Turkey?

General GAST. Yes, sir.

Mr. SCHNEIDER. Yes.

Senator SARBANES. Mr. Schneider, does the administration want a base agreement with Greece?

Mr. SCHNEIDER. Yes, sir.

Senator SARBANES. How do you calculate that you are contributing to achieving it when you are completely blowing apart the 7-to-10 ratio which has been established now for a number of years with respect to military aid to Greece and Turkey respectively?

Mr. SCHNEIDER. Senator, this was a judgment call made at the recommendation of our negotiators about the most effective way to get a new base agreement with Greece.

The idea in mind was that we would show in the 1984 budget only a straight-line figure for 1983, but indicated directly to the Greeks that under circumstances where we had achieved a satisfactory defense and economic cooperation agreement with Greece, that we would come in with the additional funds that would be required.

Senator SARBANES. Did your negotiators tell you that you should double the amount of military aid to Turkey as part of this effort to get a base agreement from Greece?

Mr. SCHNEIDER. We already have a base agreement with Turkey. The program that we are implementing in Turkey is expressed in the 1984 budget, has already been understood.

Senator SARBANES. That is not my question.

Mr. SCHNEIDER. Well, the case that we have made with Greece with respect to the Turkish program is that the Turkish program is standing on its own merits as a program that contributes to the objectives of the NATO alliance.

Senator SARBANES. Did your base negotiators tell you that doubling the military aid to Turkey would contribute achieving a base agreement with Greece?

Mr. SCHNEIDER. The base negotiators told us that we would have to make a specific effort to explain the budget presentation if we were to avoid expressions of hurt in Greece. For that purpose, the negotiators have done so.

Senator SARBANES. I see my time is up. Are we going to have another round, Mr. Chairman?

The CHAIRMAN. We will.

Senator SARBANES. I want to come back to some other questions, particularly on what you are doing on this El Salvador aid because what you are doing is ignoring congressional decisions, both on earmarks or ceilings.

You are shifting moneys around and then coming in and asking for supplementals to make up deficiencies in part created in part

simply by your shifting resources into areas where you want to go, which was not the agreed judgment of the Congress when it acted either on the authorizing legislation or the appropriating legislation.

I intend to go into that in my second round.

The CHAIRMAN. Very fine.

Senator SARBANES. I must say that I think that the administration's policy on the Eastern Mediterranean is making it much more difficult to achieve a base agreement and that you have greatly complicated a very sensitive process that was underway—needlessly so, in my judgment.

I assume, General, you regard those bases in Greece as important. Is that correct?

General GAST. Absolutely.

Senator SARBANES. You would like to see a base agreement, would you not?

General GAST. Precisely.

Senator SARBANES. I do not see why the administration is complicating the efforts to move toward it.

The CHAIRMAN. Thank you, Senator Sarbanes.

Senator Tsongas, I wonder if at the completion of your 10 minutes—if I am not back—you would turn it back to Senator Sarbanes. Then I would appreciate, as soon as I return from the Rules Committee where I am presenting the committee budget to them now—they say it will take only about 10 minutes—I would like to come back and finish up my questions, and then possibly turn the hearing back to both of you.

Senator TSONGAS. Thank you.

Well, since the only two people left are both Greek Americans, I move that we cut the aid to Turkey. [Laughter.]

That would solve that problem right away.

I am intrigued by your statement:

> The rationale for providing this kind of aid to Turkey is that Turkey faces modern equipped and numerically superior Warsaw bloc forces.

We are there talking about Bulgaria or Russia; is that right?

Mr. SCHNEIDER. That is correct.

Senator TSONGAS. Which of the two are we referring to?

Mr. SCHNEIDER. Well, the Turkish forces face threats from two quarters. In the eastern part of Turkey the Soviets have a large deployment in the three military districts located in that area. And since the Iran crisis in the late 1970's, they have reinforced their position in the Caucasus region because if there were to be an invasion of the Persian Gulf, the invasion routes would be staged from the Trans-Caucasus region.

The other part of the military threat to Turkey is an area where both the Greek and Turkish military forces are important to our planning; namely, on the European side where the Bulgarian forces as well as Soviet forces are deployed.

The threat indeed is substantial there because of the nature of the terrain and the size of the forces that are so deployed.

Senator TSONGAS. I am sure that you can understand that someone looking at a Russian decision vis-a-vis Turkey, that the Rus-

sians would not be deterred from a few more million dollars of aid to Turkey.

Mr. SCHNEIDER. No; but chances are better that they would be deterred, for example, from an invasion, a planned Soviet invasion of Southwest Asia. If they were going to stage it from the Trans-Caucasus region and if there was a powerful and well-equipped Turkish Armed Force and particularly air force, the risk to a Soviet invasion would be very great, owing to the fact that the Soviets are dependent upon airlift to move from the Trans-Caucasus down to the northern end of the Persian Gulf.

Turkish aircraft deployed in eastern Turkey could, under those circumstances, pose a threat to that airlift and thus the ability of the Soviets to conduct the operation at all.

Therefore, if the Turkish Armed Forces were capable, it could pose an element of deterrence when coupled with other elements of alliance strategy.

General GAST. Senator, may I add a comment, please?

I believe that the problem is the growing obsolescence of the Turkish military equipment—old aircraft, artillery, and tanks that are becoming more difficult to maintain each year.

If this program is not turned around and modernization does not begin now, Turkey will no longer be a deterrent force at all. We must begin a modernization program in order to maintain and increase deterrence. We are at that position with Turkey.

Senator TSONGAS. I would assume that the same argument would apply to Greece. The border that Greece has with Bulgaria is twice that, that Turkey has.

Mr. SCHNEIDER. Yes.

Senator TSONGAS. And if you assume that to be the case—let me accept your argument—you have kept the other half of it.

Mr. SCHNEIDER. Yes.

Senator TSONGAS. Are we to assume that if the base agreements are resolved, that the 7-to-10 ratio will be restored?

Mr. SCHNEIDER. We will be likely to seek an increase in security assistance to Greece. Precisely what the level of that would be; that is, whether it would be in the 7-to-10 ratio or a 10-to-10 ratio or whatever, would be a function of the details of the negotiation.

As I related earlier in response to Senator Sarbanes' question, it was a question of negotiating tactics as to whether or not to put one's best and final offer on the table at the outset or to leave the details of that matter until later. The judgment call was that we unambiguously have a powerful interest in getting this base agreement.

We have a very powerful interest in a modern and effective Greek military force for the reasons that you pointed out. They share a long border with an area where Soviet forces are deployed and they are a very important part of our alliance strategy in the region.

We intend to help Greece build up the forces that would be necessary.

Senator TSONGAS. There apparently are going to be demonstrations in Athens next week in opposition to these numbers. If you were detailed to speak to that crowd, what would you tell them?

Mr. SCHNEIDER. I would reiterate what has been stated to the Greek Government; namely, that the material that we provided in the budget does not reflect the final terms of a settlement with Greece, nor does it indicate any deprecation of our relationship with Greece.

In fact, the notion that we are strictly seeking to obtain a renewed base agreement with Greece indicates our interest and concern about the situation in Greece.

And then, finally, I would argue that as we achieve a satisfactory base agreement, we will provide sufficient security assistance to assure that the Greek Armed Forces are fully capable of meeting their NATO commitments.

Senator TSONGAS. And if there is no agreement, no further funds?

Mr. SCHNEIDER. We need to have continued access to those bases. We are not in a posture of threatening a valuable ally in this regard. It is simply a question of the sequence in which these issues are resolved. Whether or not we have access to Greek bases has an effect on what kinds of forces are required in the region.

Until we know what access to these bases is and the terms under which we will be able to use them, only then can we determine what the appropriate level of security assistance should be and the kinds of forces we would like the Greeks to have to meet NATO commitments.

So, it is a question of sequence rather than some milignancy as some might imply.

Senator TSONGAS. If I were a Greek citizen in the audience with a reasonable command of the English language, I would interpret that as a threat.

Mr. SCHNEIDER. Well, it would be a mistake to do so. The reason is, let us take the case where the United States did not have access to any of those facilities. The kinds of forces that the Greeks would need to meet their NATO commitments would be much different than under circumstances where the United States was deployed there.

Senator TSONGAS. There would be greater need.

Mr. SCHNEIDER. Well, it probably would be greater. It certainly would be different.

Senator TSONGAS. So, in other words, if you do not conclude the base agreements, they will get more?

Mr. SCHNEIDER. I would not necessarily say more. I would say it might be a different kind because the purpose which the bases serve is related to the integrated military operations of NATO. If we were not able to deploy there and operate those forces, we would have to find other arrangements to perform these functions and the nature and the role of Greece in the alliance would be different. That would call for different kinds of military forces.

Senator TSONGAS. What you are saying to the Greeks basically is, this is a sword hanging over their heads on the base agreements.

I will tell you, if that government is anything like my grandfather who immigrated to this country, the tactic is counterproductive. I just pass it on as a personal judgment.

You cannot judge those of us who have been totally Americanized as somehow representative of the passion that exists in that country. I just pass that on.

One other issue as far as the pursuit of politics by other means, so as military aid.

What is the functional difference, given the numbers that we have going into El Salvador in both economic and military aid, and the fact that we are now approaching $1 billion in the last 5 years, given the military situation in El Salvador.

What is the functional difference between El Salvador and what took place—I do not mean to mark them as parallels—but in Vietnam where you had a major advantage on the part of the South Vietnamese troops vis-a-vis the Vietcong. You have the same kind of ratio existing in El Salvador, and I get the same feel that there is a deterioration of the military situation.

What has our billion dollars gotten us in El Salvador?

Mr. SCHNEIDER. Well, let me say in the first place I think the comparison with Vietnam is somewhat misplaced. We do not have an American troop deployment there.

Senator TSONGAS. I acknowledge that, and I said that, that I did not attempt to suggest that they were parallel. But in terms of the ratio of military equipment on one side and the other you are looking at pretty much the same ratios, as I understand it.

Mr. SCHNEIDER. It is a little hard to put in detail a value on the Soviet equipment that has been supplied to the guerrilla forces there, and a value on the training, and so forth. I would not hazard an explicit guess.

But both the forces in El Salvador and the guerrilla forces could be described in terms of light infantry rather than the kind of mechanized forces that we have associated with Western Europe.

I would say, in terms of what have we gained for our assistance in El Salvador, one thing on the political side, it has provided the circumstances whereby an election, which was by all accounts a free and fair election in which 80 percent of the population voted, has provided a degree of legitimacy to a regime in El Salvador the likes of which has not been won easily in Latin America.

This is under terms where the electorate in El Salvador was placed in considerable jeopardy of their personal safety by the guerrilla forces who were interested in preventing the election from taking place.

The establishment of a democratic order in El Salvador provides the basis of consent for the government, so to speak, to develop that country and to ultimately rid itself of the problem that it has both in the form of its economic organization and in the form of the threat to the physical security of its inhabitants.

I think that our security assistance and our economic assistance have worked jointly to contribute to a situation in El Salvador that is admittedly very difficult, but one which would be dramatically worse in the absence of this assistance. You would have a totalitarian regime established by the guerrilla forces and one that would be neither conductive to economic development nor personal liberty.

Senator TSONGAS. Let me just comment, if Kenneth Adelman had been advised by you as to how to approach this committee, I

think he would have gotten through, and that with the same amount of noninformation but said so well and articulated at such great sense. There is a real sense of communication, even though when you go back and read it, there is nothing there.

I commend you on the capacity to do that. If Adelman had the same capacity, he would now be winging his way through confirmation in the United States Senate.

Do not take that negatively. [Laughter.]

I am simply admiring your talent.

Mr. SCHNEIDER. Thank you, Senator. [Laughter.]

Senator SARBANES. Mr. Schneider, what was the original 1983 request for economic aid for El Salvador?

Mr. SCHNEIDER. For economic aid, in development assistance the request was for $30 million, and ESF the original 1983 request was for $115 million.

Senator SARBANES. What was the level provided by the Congress?

Mr. SCHNEIDER. There is some dispute as to exactly what that amount was under the continuing resolution. To give you the three points of the triangle on this, the House Appropriations Committee believes that only $40 million was provided; the Senate Appropriations Committee believes that only $95 million was provided; the State Department lawyers believe that $105 million was provided.

Senator SARBANES. What level do you propose to provide to El Salvador?

Mr. SCHNEIDER. $140 million.

Senator SARBANES. $140 million?

Mr. SCHNEIDER. Right.

Senator SARBANES. That is more than you requested.

Mr. SCHNEIDER. That is right.

Senator SARBANES. And more than any of the three points of the triangle.

Mr. SCHNEIDER. That is correct.

Senator SARBANES. I was looking at your submission here and could not seem to find any request in the supplemental for fiscal 1983 of another $25 million for El Salvador.

Mr. SCHNEIDER. That is right. This would be done through reprograming.

Senator SARBANES. I see. Now, what is the rationale for ignoring a congressional earmark and forcing a request in the supplemental to reach the earmark figure, but in this instance not asking for another $25 million for El Salvador?

It is your judgment that you did not get enough—actually, you got what you asked for if you accept one of the three interpretations. Except that was not enough, so you want $140 million. I guess you would argue there are circumstances that warrant this.

Mr. SCHNEIDER. That is correct.

Senator SARBANES. But you are not asking for $25 million in the supplemental.

Mr. SCHNEIDER. No; we are doing that——

Senator SARBANES. That is a nice game; is it not?

Mr. SCHNEIDER. I do not agree it is a game.

Senator SARBANES. Why is it not? You are moving moneys around without any regard to congressional decisions.

Mr. SCHNEIDER. No; for the reprograming we would follow the standard procedure that we have been using for reprogramings for several years.

Senator SARBANES. How did you determine what you would ask for in the supplemental? Does it have something to do with the country needing more money that had been provided?

Mr. SCHNEIDER. What we asked for in the supplemental represented the best estimate of how we would apportion the resources under the continuing resolution, based upon what we knew about the circumstances late last year when we put the supplemental together.

The allocations that we are going to make under the continuing resolution represented planning figures. Based upon those planning figures we determine what we would require in the supplemental to complete our foreign policy objectives for the balance of the year.

Senator SARBANES. What other countries are you directing more money to than the Congress passed upon, without including it in the supplemental?

Mr. SCHNEIDER. I believe El Salvador is the only case.

Senator SARBANES. The only case?

Mr. SCHNEIDER. Yes.

Senator SARBANES. Why is that?

Mr. SCHNEIDER. Well, it related to the pace at which events have evolved there, where the guerrilla forces have been unable to succeed in direct military encounters in defeating the military forces of the Government of El Salvador.

As a consequence, they have taken a different tack and have decided to attack the economic infrastructure.

Senator SARBANES. You expect to make this $140 million available in what time period?

Mr. SCHNEIDER. This is fast-disbursing money. Economic support funds include basically the short-term end of our economic assistance program. Our development assistance is tied to longer term structural points.

Senator SARBANES. How much of this $140 million has been sent to El Salvador?

Mr. SCHNEIDER. I do not know how much has been apportioned yet, I can provide that for the record.

Senator SARBANES. I think someone there has it.

Mr. SCHNEIDER. $40 million has been apportioned so far.

Senator SARBANES. $40 million of $140 million.

Mr. SCHNEIDER. Right.

The CHAIRMAN. But you could not ask for the $25 million in the supplemental; is that right?

Mr. SCHNEIDER. We technically could have, of course; yes.

Senator SARBANES. You used $40 million of the $115 million—let us accept that point on the triangle just for the sake of this conversation.

Mr. SCHNEIDER. Sure.

Senator SARBANES. You have used $40 million of the $115 million. You have, therefore, $75 million of that left. But you still say that you cannot ask for the other $25 million in the supplemental because you are under the time pressure.

Mr. SCHNEIDER. That is correct.

Senator SARBANES. What do you think the Congress reaction would have been if you had asked for it in the supplemental?

Mr. SCHNEIDER. Well, I am under no illusions that——

Senator SARBANES. Were you concerned about that?

Mr. SCHNEIDER. Yes.

Senator SARBANES. I guess you were. Do you think you could have avoided the Congress reaction by reprograming and not asking for it in the supplemental?

Mr. SCHNEIDER. No.

Senator SARBANES. That would just be sort of a side effect, this procedure.

Mr. SCHNEIDER. No; we take congressional concerns very seriously and it is in my judgment very important.

Senator SARBANES. Where in these requests is it reflected that you take congressional concerns very seriously?

Mr. SCHNEIDER. Well, for one thing, we seek to fully fund all of the congressional earmarks.

Senator SARBANES. You did what?

Mr. SCHNEIDER. To fully fund all of the congressional earmarks.

Senator SARBANES. With the exception of Cyprus.

Mr. SCHNEIDER. No; we are funding Cyprus through the supplemental. We are not backing away from any of the earmarks—despite the fact that the earmarks in some cases have been against the recommendations that the administration has made.

Senator SARBANES. That did not get very far. What other examples?

Mr. SCHNEIDER. Well, in terms of the implementation——

Senator SARBANES. I do not have any yet, in my judgment. What other examples do you have?

Mr. SCHNEIDER. Well, let me take the case of the earmark for Israel. The amount was above that which the administration had requested but we will not try to get around the earmark by section 614 authority, we will honor the congressional earmark.

Senator SARBANES. Do you believe that these aid requests are viewed by other countries almost as though they were tea leaves, to get some notion of U.S. attitudes and intentions?

Mr. SCHNEIDER. There is some of that, no doubt. The discussion that we had earlier about the Greek aid has had——

Senator SARBANES. Well, on Israel, which is the example you have just used, is the request you are making for fiscal 1984 different from what is being provided to Israel under the actions we have taken?

Mr. SCHNEIDER. Yes; it is.

Senator SARBANES. And in what way is the request different?

Mr. SCHNEIDER. The fiscal 1984 request has been reduced compared to the fiscal 1983 congressional action.

Senator SARBANES. I see. And what intention or attitude was it you meant to communicate by doing that?

Mr. SCHNEIDER. That in light of all we understand about Israel's security needs and the needs of its economic development, that we have fully addressed those in the request that we have made in fiscal 1984.

In our judgment, based on the concerns that we had in fiscal 1983, that the Congress put in more money than we believed was justified. However because the Congress has made this decision, we are honoring it in fiscal 1983 and we will fully fund.

Senator SARBANES. What would your choice be? You make it sound as though honoring the congressional decision in fiscal 1983 represents some major accommodation or concession on the part of the administration. What other choice would you have?

Mr. SCHNEIDER. Well, there is statutory authority for a Presidential determination to be made that overriding national security objectives would permit waiver of earmarks up to a specified sum.

Senator SARBANES. That is what?

Mr. SCHNEIDER. I believe it is $150 million.

Senator SARBANES. Are you telling us that it is the administration's intention now to start exercising that statutory waiver authority very freely?

Mr. SCHNEIDER. No; quite to the contrary. Secretary Shultz testified yesterday before the House Foreign Affairs Committee specifically discussing this problem of earmarks. It was his judgment that we had to honor congressional earmarks, even when they were contrary to the administration's view of the sums that were appropriated to be allocated to a particular country.

Senator SARBANES. Well, do you intend, then, to use that waiver power?

Mr. SCHNEIDER. No.

Senator SARBANES. With respect to none of the countries?

Mr. SCHNEIDER. No. According to the testimony of Secretary Shultz yesterday, we will not be using the waiver authority under any circumstances that are contemplated.

Senator SARBANES. Is that a change of position from the time when you submitted your documents? Did you not indicate in your documents that you were going to exercise the waiver authority with respect to the Cyprus refugee assistance?

Mr. SCHNEIDER. No. The only place we are contemplating using the waiver authority relates to Nicaragua, where there is an earmark. The earmark was in the fiscal 1982 legislation and it carried over in the continuing resolution. And because of the changed circumstances in Nicaragua we would seek to waive that earmark.

Senator SARBANES. You did not indicate in your budget submissions that you are going to use the waiver on the $10 million on Cyprus?

Mr. SCHNEIDER. No. I think as far as I recall, concern about that has been raised, about what would happen if the supplemental was not provided. Under those circumstances, concern about section 614 would arise.

Senator SARBANES. Well, you indicated in your presentation document a section 614 waiver.

Mr. SCHNEIDER. As far as I know, the only section 614 waiver we are seeking is with respect to Nicaragua. Assuming we get the supplemental, we will be able to implement the earmark.

Senator SARBANES. No; not on that assumption. Do you intend to use the waiver?

Mr. SCHNEIDER. That decision would be up to the President as to whether or not he would do it. It would be up to the President to make that determination.

Senator SARBANES. I thought you just told me you were not going to use any of the waiver authority and negate congressional earmarks.

Mr. SCHNEIDER. That is right. As of the present time we have no intention.

Senator SARBANES. Are you also then telling me, however, that if you do not get the supplemental—well, you have already to some extent disregarded the earmark—you are going to use the section 614 waiver?

Mr. SCHNEIDER. No. If we do not get the supplemental, the President will have to make a determination as to whether he will seek to waive the earmark on Cyprus.

Senator SARBANES. Well, you have indicated that you would do that; have you not, in your presentation document?

Mr. SCHNEIDER. That is not my recollection, that we would do so.

Senator SARBANES. What is your recollection?

Mr. SCHNEIDER. My recollection is that we are seeking relief to be able to fulfill the earmark.

Senator SARBANES. Assuming you do not get the supplemental, do you intend to use the waiver and completely negate the $10 million for refugee assistance?

Mr. SCHNEIDER. If we do not get the supplemental, then the President will have to make a determination. I would not want to prejudge his decision on that.

Senator SARBANES. You have already indicated that is what you intend to do.

Mr. SCHNEIDER. Our presentation documents, as far as I know, do not contemplate the failure of the Congress to enact the supplemental.

Senator SARBANES. Why do you have a footnote that says it requires a section 614 waiver on the $10 million?

Mr. SCHNEIDER. We have an embarrassment on tabular material.

Senator SARBANES. Let me go on. I mean, it is pretty clear that a game is being played here.

Let me ask you about this general military assistance, security assistance. By how much is the military portion of your request going up over what the Congress approved for this year?

Mr. SCHNEIDER. Military assistance compared to the continuing resolution—the continuing resolution figure on budget was $4.2 billion and we are going up to $4.8 billion. So, in percentage terms that is a modest increase, about $600 million.

Senator SARBANES. If we take foreign military sales—MAP—and the military and training program and compare the continuing resolution with your 1984 request, I calculate that to be a 21-percent increase; is that correct?

Mr. SCHNEIDER. Yes; if you only focus on those.

Senator SARBANES. That is from $5.148 billion to $6.239 billion; is that correct?

Mr. SCHNEIDER. I do not have it broken down that way, but that sounds approximately correct.

Senator SARBANES. There is a great deal of focus in the Congress right now on the fact that the defense budget is going up 15 percent and other budgets are going down. The President is talking in terms of a budget freeze. But you are increasing the military portion of the international security assistance program by over 21 percent. Is that correct?

Mr. SCHNEIDER. Yes. Given the way you described it; yes.

Senator SARBANES. Is my description not accurate?

Mr. SCHNEIDER. Well, I would argue using a different base; namely, that the fiscal 1983 request constitutes the resources associated with the foreign policy that the administration has recommended.

Senator SARBANES. Do you think that is the way we should look at all budget matters in the Congress?

Mr. SCHNEIDER. No; not under all circumstances. But I would argue that under——

Senator SARBANES. Well, what is sauce for the goose is sauce for the gander.

Mr. SCHNEIDER. It depends upon the purposes for which the analysis is being done. I would argue under circumstances where we did not have a regular fiscal 1983 appropriation bill or a regular authorization bill and the administration has a supplemental request in, that it would be appropriate to look at the matter from the perspective of the request rather than what is basically a temporary device to substitute for a regular budget.

Senator SARBANES. Is that the standard procedure the administration is using when it makes its various budget comparisons in the domestic area?

Mr. SCHNEIDER. Having now been away from the Office of Management and Budget for about 6 months, I am not certain of the details on how domestic——

Senator SARBANES. A guess would probably be that it is not, though; would it not?

Mr. SCHNEIDER. I would rather not hazard a guess, frankly, Senator.

Senator SARBANES. Mr. Chairman, I know I have run over my time and I see you are back.

The CHAIRMAN. Thank you very much indeed, I appreciate it. We had no problems with our budget with Senator Mathias sitting in the chair. [Laughter.]

And also because of the excellence of the budget. We got our cost down considerably and we were able to report probably the most active year that the Foreign Relations Committee has ever had. The number of hearings we have held and the amount of work that was turned out. it was just as active as the world events today.

Let me just start on one right now to see which of you can add to the knowledge of this committee because it is our first opportunity to question the administration on these very unusual occurrences in Libya and Chad, and Sudan, and Egypt.

We would like to know just as much as we can about this situation because uncertainties persist about the actions the United States has taken in this entire area.

I would like as much clarification as we can possibly have as to what our role is; what the Egyptian role is; what the Libyans are

doing, and what danger Sudan is in—its president, its personnel, the country.

First, where is the *Nimitz* now?

Mr. SCHNEIDER. My understanding is that the *Nimitz* was earlier engaged in an exercise and has now returned to its regular deployment.

The CHAIRMAN. What circumstances led up to the deployment of the carrier *Nimitz* to the Mediterranean and the four AWACS planes to Egypt?

Mr. SCHNEIDER. My understanding was that it was part of a regularly scheduled exercise. It was not associated with the Libyan deployments that you referred to.

The CHAIRMAN. Let me just read what defense officials say:

> The United States dispatched four AWACS surveillance planes to Egypt and sent the aircraft carrier *Nimitz* to the Central Mediterranean in response to a Libyan military buildup along the border with Sudan.

I am just reading this right out of UPI. Are you telling me that we are just engaged in a normal exercise out there, then, when our own officials in the Defense Department are saying that this was sent in response to a Libyan buildup along the borders with Sudan?

Mr. SCHNEIDER. Well, the material that I read on that this morning, Senator, indicated that the AWACS aircraft were part of an exercise and were not in response to the observed Libyan buildup adjacent to Sudan. The fact is, we do not know much about what Libya intends to do with that buildup. We are monitoring the situation carefully.

But to the best of my knowledge, the deployment of the AWACS was part of an exercise and not related to the Libyan activities.

The CHAIRMAN. The President said, "We are well aware of Libya's attempt to destabilize the region."

Mr. SCHNEIDER. Yes.

The CHAIRMAN. What further can you add to that as to Libya's attempt to destabilize the region?

Mr. SCHNEIDER. Well, what we know to date—and we can provide more information to you, such as we have, on a classified basis—but in general the Libyans have substantially augmented their military deployments that poses at least a potential threat to the Sudan.

The CHAIRMAN. One source is quoted as saying while it is possible the *Nimitz* was sent to the Gulf of Sidra for exercises, "the AWACS were sent there"—that is to Egypt—"purposely because of the perceived threat," mounted by Libya.

Mr. SCHNEIDER. I will double back and check this. The material that I have read this morning in preparation for this hearing, Senator, did not indicate that these AWACS aircraft were deployed in response to anything Libya was doing.

But I will check back and give you an affirmative confirmation on that.

The CHAIRMAN. I will not press you further on this, I am just quoting to you the sources.

Mr. SCHNEIDER. I understand.

The CHAIRMAN. What the wire services are carrying this morning. This committee would like to be advised as to what is going on.

Mr. SCHNEIDER. We will get back to you this afternoon.

The CHAIRMAN. Certainly, specifically whether or not any action is being taken by the United States that would require under law action as provided for by the War Powers Act.

Mr. SCHNEIDER. All right.

The CHAIRMAN. In December of last year, a majority of this committee sent a letter to the President, suggesting that additional congressional authority would be necessary if the U.S. military role in Lebanon were significantly extended or expanded. We had in mind legislation similar to that authorizing U.S. participation in the Sinai multilateral force.

We have had no written response to that letter. Can you supply us with a response this morning, how do you envision the future U.S. military role in Lebanon?

Mr. SCHNEIDER. Well, I believe the future size——

The CHAIRMAN. It is sure great to have you on the other side of the aisle now to see all the trouble you caused the executive branch of Government through the years, having sat over here. [Laughter.]

I am enjoying this immensely. [Laughter.]

Mr. SCHNEIDER. I think your enjoyment is inversely proportional to mine, Senator. [Laughter.]

The CHAIRMAN. We refer to you as "down-town" now.

Mr. SCHNEIDER. Yes; it has become an epithet equal only to being an economist in Washington.

Specifically with respect to the letter that you have sent, the precise circumstance about the future of U.S. participation in Lebanon is now under very active study, and the concerns that the committee and yourself have raised in connection with authorization of additional participation is under serious consideration.

You will undoubtedly be receiving a response in due course as the President makes basic decisions about further U.S. participation in Lebanon.

The CHAIRMAN. Any further details you can give us as to the length of time it is anticipated they may be there or the number that may be required if there is a withdrawal of all outside forces? What would be the best estimate the Lebanese have given to us as to how long we would have to remain and how many multinational forces, particularly how many U.S. Forces, would be in their judgment necessary to maintain stability and peace?

Mr. SCHNEIDER. We will work on getting that for you. As probably detected from the President's remarks at his press conference last night, he is looking seriously at what should be the future role of U.S. Forces in Lebanon. So, out of that deliberation will come the answers that you need.

[The information referred to follows:]

U.S. PARTICIPATION IN LEBANON

The MNF is in Lebanon to provide assistance to the Government of Lebanon as it reasserts its authority and control over Lebanon's territory. Although it is clear that Lebanon needs further help in restoring and strengthening the central government's authority, we do not view the U.S. commitment of a contingent to the MNF as open-ended.

It is impossible to determine the number, deployment and composition of peacekeeping forces in Lebanon in the absence of further progress in the negotiations now underway.

The Government of Lebanon has not proposed a duration for the current MNF, although the Lebanese have clearly stated on numerous occasions their desire for a continued presence of the MNF in Beirut and their gratitude for the help of the MNF in reuniting the city of Beirut.

The Government of Lebanon has not proposed definitive numbers for an MNF other than the currently deployed forces. The Government of Lebanon has informed the United States of its judgment that the Lebanese Army will require some help in meeting all of its security responsibilities in the aftermath of the departure of external forces. In the absence of further progress in the negotiations toward this objective, it is not possible to reach conclusive judgments on the number, deployment and composition of peacekeeping forces in Lebanon.

Mr. CHAIRMAN. The question may have been raised while I was gone on El Salvador and if it is a duplication, then I will just go back over the record.

But it concerns me that the administration request for military aid to El Salvador in fiscal 1984 is more than three times the level contained in the continuing resolution.

How would the requested funds be used and should we envision this as part of a dual-track policy with the other track being an effort to negotiate an end of the fighting? If not, will the $85 million requested even begin to, let us say, "buy" us victory?

Mr. SCHNEIDER. Well, specifically with respect to the dual-track question first. The Secretary indicated in his testimony yesterday before the House Foreign Affairs Committee that we were not seeking to force the Government of El Salvador to in effect overturn its election and negotiate a settlement with its adversaries that would bring them into the government by nondemocratic means. I think that general characterization remains.

In terms of the assistance that we are providing to El Salvador, the increased military assistance does reflect the realities, the military realities, of the circumstances they face.

The Government is under considerable military pressure. But I think the point to be noted is that the economic assistance that we are providing, which is really the key element to getting the Government into a position where its democratic processes can be sustained, is perhaps the central element of the program.

It is just that the nature of the tactics that the guerrillas have focused on, of attacking these economic infrastructures—the water supply, the electricity supply, the road network, transportation system—has had an effect of focusing attention on restoring these basic services.

The military assistance that we are providing mainly helps deflect the guerrillas from an expectation that they can win a military victory.

The CHAIRMAN. I have just one last question. The FMS guarantee reserve fund is expected to drop below the congressionally set floor of $750 million before the end of fiscal 1984 due to rescheduling.

Why has the administration not asked for additional funds to replenish the fund since this is clearly the intent of Congress? Do you believe it would be useful to follow the recommendations of the GAO and place the FMS guarantee program on budget?

Mr. SCHNEIDER. We have been working on this problem and I would like to ask General Gast to respond to this since he has been the most directly involved.

General GAST. Sir, I believe there are really two questions. As you recall, Secretary Weinberger responded to your and Senator Pell's letter to him on that and said we would be coming back to you with a recommendation.

It is our estimate that we will reach the $750 million level in fiscal year 1984, and we are working on various proposals for replenishment which we will submit to you as we approach the $750 million level.

As to whether the GAO report recommendation concerning placing the FMSCR program on budget should be followed is another matter. There are pros and cons to that, and we have not yet reached a final decision on the subject. But we will be back to you on increasing the level within the guaranty reserve fund.

The CHAIRMAN. Thank you very much.

If I could turn the gavel back over to you, Senator Sarbanes, I would appreciate it very much.

Senator SARBANES. Mr. Chairman, I am almost finished.

The CHAIRMAN. I would ask you to close the meeting. I have luncheon guests waiting.

I do want to thank you very much, particularly for your first appearance here.

General GAST. Thank you, sir.

The CHAIRMAN. It is always a pleasure, Secretary Schneider, to have you back. We look forward to having you many times.

Peter McPherson, again congratulations on a fine job being done under terribly difficult circumstances in Lebanon. We want to give you all the support and help we can in that tragic part of the world and any other areas that you are serving ably. Thank you.

Mr. MCPHERSON. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Sarbanes?

Senator SARBANES. What are the 12 countries currently authorized to have more than six uniformed personnel to manage the security assistance program?

Mr. SCHNEIDER. We have that information, I believe, Senator. Just one second.

The countries authorized to do so now are Indonesia, the Republic of Korea, the Philippines, Thailand, Egypt, Jordan, Morocco, Saudi Arabia, Greece, Portugal, Spain and Turkey.

Senator SARBANES. And you want to expand that list by nine additional countries?

Mr. SCHNEIDER. Yes, sir.

Senator SARBANES. What are those countires?

Mr. SCHNEIDER. Pakistan, Tunisia, Yemen, Liberia, Sudan, Zaire, El Salvador, Honduras and Venezuela.

Senator SARBANES. Now, is this in recognition of the fact that we have now undertaken significant programs in each of these additional nine countries?

Mr. SCHNEIDER. Yes. It is to manage a larger program. For example, in Venezuela they are getting F-16's that they are buying, and we have just a more active relationship with Venezuela on the mil-

itary side than we have had in the past. So, the need to have some additional people there to manage it is important.

Senator SARBANES. On the 12 countries currently authorized for more than six, is there an upper limit?

General GAST. No, sir, there is not, other than the country CPD level.

Mr. SCHNEIDER. It would be up to the CPD level. Just to give you an illustration of the numbers that are being proposed, Senator, in Pakistan we would be talking about going up to 10 people; Tunisia, up to 8; Yemen, up to 8; Liberia up to 16; Sudan up to 7; Zaire, to 10; El Salvador, to 11; Honduras, 9, and Venezuela, 9.

The numbers are small.

Senator SARBANES. Are you bound by those numbers if you get the list of these countries added?

Mr. SCHNEIDER. The resources to support them would be contingent at these levels.

Senator SARBANES. Could you reprogram money to get bigger numbers?

Mr. SCHNEIDER. Yes; but only presumably at the expense of some other program.

Senator SARBANES. Is the problem that six is not enough and you need a few more than six; is that the problem?

Mr. SCHNEIDER. Yes, sir.

Senator SARBANES. If we kept the six ceiling generally and then gave you a somewhat higher ceiling for certain specified countries, would that accomplish the purpose?

Mr. SCHNEIDER. Yes, sir.

Senator SARBANES. And preclude the possibility that we might discover one way or another—as we seem to be discovering as we look at these things—that there has been a significant increase and no one wanted it or apparently intended it; is that correct?

Mr. SCHNEIDER. Well, if you gave us the authority for the additional spaces, we would operate within the ceiling that you provided.

Senator SARBANES. General, I was interested on the point on representational allowances that you have in your statement.

General GAST. Yes, sir.

Senator SARBANES. It sounds reasonable but if you could elaborate on it, it might be helpful. And what order of money are we talking about?

General GAST. I will come to that in a moment, sir.

Our problem involves personnel in our military missions overseas that must work closely with the representatives of foreign governments.

We find that in many cases in order to establish effective working relationships and to maintain them our SAO personnel are taking money out of their own pocket to cover the cost of job related social obligations. We do not believe this should be expected of our people serving overseas in diplomatic missions.

We are not requesting additional appropriated funds, but authority to use administrative surcharge funds.

Senator SARBANES. Would the authority be unlimited as to the amount of funds?

General GAST. No, sir. The proposal is up to $146 million, which would be spread among 60 countries.

Senator SARBANES. All right. The change in the law you are seeking, as I understand it, would allow countries which have received grant military equipment from the United States, to sell it without any obligation, they are then required to repay the United States; is that right?

Mr. SCHNEIDER. That is correct.

Senator SARBANES. That is equipment they got for free to begin with right?

Mr. SCHNEIDER. That is correct.

Senator SARBANES. And now you are proposing that they should be allowed to sell it but keep the money; is that the idea?

Mr. SCHNEIDER. Under circumstances where the President would determine that it was in the national interest to do so.

Senator SARBANES. What problem or what situation is that addressed to?

General GAST. Well, it would be in certain countries that have received grants in the past. We are not speaking of tremendously large dollars, $2 million, perhaps, per country over a couple of years.

It could be, in the case of Greece, for example, that is selling for scrap old tanks, say M-47 tanks. It would be a country that may have an excess of old equipment where they are receiving considerable aid from us, either credits or grant moneys. We would make that determination on a case-by-case basis that, rather than coming to our Treasury, would be kept in-country for them to buy or modernize their forces, sir.

Senator SARBANES. So the funds would be committed for that purpose.

General GAST. Yes, sir.

Senator SARBANES. And is this the sale of obsolete equipment and materiel that is being disposed of as scrap, or are you envisioning sales from one country to another?

General GAST. It could be either, but I must hasten to add, sir, that in either case it requires our concurrent—either to scrap or if it is transferred—our concurrence and notification to Congress.

Mr. SCHNEIDER. Senator, one of the problems to which this responds is that countries that have old or obsolete equipment that is in their inventory consumes a great deal of operation and maintenance expenditure and results in a less effective force.

If we can find some way through this procedure, under appropriate safeguards, to facilitate the modernization of these forces by getting rid of some of this older equipment that does not have much economic value but, when left in their forces, has a very great drag effect on their effectiveness. So, we think this would contribute to the effectiveness of our overall security assistance effort.

Senator SARBANES. Just a broad question. You have asked for a very significant increase in international security assistance in your fiscal 1984 request compared to what you received from the Congress for fiscal year 1983.

Mr. SCHNEIDER. That is correct.

Senator SARBANES. In fact, an increase of about $1.4 billion total, and of that $1.1 billion is in the military area.

Mr. SCHNEIDER. That is correct.

Senator SARBANES. What is the rationale for that, does it represent a fundamental philosophical, continuing philosophical shift toward putting more of our resources into the military rather than the economic area as we seek to implement our foreign policy objectives through the security assistance programs?

Mr. SCHNEIDER. No; it does not, Senator. First, I think it is appropriate to go back to the question of the base to which we are referring. The foreign policy that the administration has proposed was reflected in its fiscal 1983 budget request. I appreciate the Congress, in its action on the continuing resolution, reduced that amount significantly. And when compared to the pattern in the 1984 request, it represents a substantial increase.

But when one looks at the balance between the programs there is not a really stark difference, looking at the administration's budget requests over time. The content of our foreign policy is balanced between military and economic assistance.

Senator SARBANES. Well, now, let me pursue that point. In the supplemental that you are requesting for 1983, of the $987 million about $700 million of it is in military.

Mr. SCHNEIDER. Correct.

Senator SARBANES. Now, in terms of what the Congress gave you in the continuing resolution compared with 1982, 1983 compared with 1982, there was actually a drop in economic support fund, ESF; is that correct?

Mr. SCHNEIDER. Yes.

Senator SARBANES. From 2.9 to 2.6, roughly.

Mr. SCHNEIDER. That is correct.

Senator SARBANES. And there were significant increases in the military sales, both guaranteed and direct.

Mr. SCHNEIDER. That is correct.

Senator SARBANES. In fact, an increase of about a billion dollars, from $3.8 to $4.8 billion.

Mr. SCHNEIDER. That is correct, although the problem is slightly more complicated.

Senator SARBANES. The point I am making, in other words, the trend that I am pointing to is reflected in your 1984 request as compared to the 1983 CR. Your response was, well, you have to look at some other base, as I understand it.

But when I look at the other bases, whether it is your 1983 supplemental request or the continuing resolution for 1983 compared to what you get in 1983, the trend is there in a very marked way.

Is there a rationale behind it?

Mr. SCHNEIDER. Yes. Part of the problem relates to this earmarking question, Senator, that we discussed earlier. The problems that we have would not be quite as severe if the pattern by which funds were earmarked had not in effect channeled a very large fraction of the program to seven countries and earmarked the numbers for those seven countries, and left us in a very serious situation with unearmarked countries.

I think that concern has to be factored in when trying to discuss these aggregates.

Senator SARBANES. As a general proposition, is it your view that the dollar put into the military side is more fruitful in achieving our security assistance objectives than the dollar put in on the economic side?

Mr. SCHNEIDER. No; it is very situation dependent. In some cases a dollar in security assistance is useless in a particular country because the problem that that particular country faces is not germane to being accommodated by security assistance funds. Under those circumstances, development assistance in many cases is the only viable means of providing assistance.

In other cases, it is the reverse. This is why we have gone through this integrated foreign assistance budget. Mr. McPherson and myself have had an opportunity to present to the Secretary all of the instruments of foreign assistance that we have, so that the particular programs for each country can be tailored to the specific needs of that country.

Senator SARBANES. So I should not attach any undue significance to the fact that General Gast had a paper here this morning with respect to his request, and Mr. McPherson did not.

Mr. SCHNEIDER. No.

Senator SARBANES. That does not represent anything.

Mr. SCHNEIDER. Perhaps Mr. McPherson could respond to that.

Mr. MCPHERSON. Actually, the principal reason behind——

Senator SARBANES. I did not altogether mean that as a serious question, but go ahead.

Mr. MCPHERSON. Let me explain why I did want to come, Senator.

Senator SARBANES. Oh, I am glad you are here. I was just looking for your paper to counterbalance the general's.

I am told by the staff that you were asked late to come.

Mr. MCPHERSON. Actually, the reason that I was particularly happy to be here was that I thought there might be additional discussion about the uses of ESF.

Senator SARBANES. Well, why not pick up then on the broader question that I was just asking Mr. Schneider? It affects you as well.

A heavy shift that has taken place over the last 2 or 3 years into the military side of the assistance program. One argument is, "Well, we are faced with military threats everywhere we look and that is what we have to respond to."

I would like to get some rationale for that. Or is there some kind of just general view that that is the way to go, at the expense of the economic side?

Mr. MCPHERSON. There are two points that I would make. One, which Bill has already made, is that in the years prior to this administration there was not an adequate level of military assistance and that for the first few years we have, in effect, been making up for what might have been there before, both in FMS and other military assistance.

The ESF portion of the budget request we are discussing and which AID manages in the field, has grown substantially, in part, because of changes in the world. We have a lot of ESF moneys going to places like Sudan and Jamaica where the economies have

deteriorated so significantly that they really needed some fast-disbursing money.

So, we have had a substantial growth in ESF because we needed that type of fast-disbursing assistance; at the same time, the requirements for the development assistance program have remained more or less constant. Today, in short, you need some fast-disbursing funds to adequately bolster the economies of several countries.

Senator SARBANES. Well, gentlemen, thank you very much.

Senators Glenn and Percy are submitting additional questions for the record and we would appreciate your responding to those.

I just happen to note that at the top of Senator Glenn's list is, "Why did the administration decide not to include any of the additional funds for El Salvador in the supplemental request."

Mr. SCHNEIDER. It seems to be a popular question, sir.

Senator SARBANES. Thank you very much.

Mr. SCHNEIDER. Thank you.

General GAST. Thank you.

Senator SARBANES. The meeting is adjourned.

[Additional questions and answers follow:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR PERCY

Question 1. The Administration is seeking almost $1 billion in supplemental budget and credit authority for fiscal year 1983, just 2 months after a lower level was agreed to in the Continuing Resolution. How much damage would be caused to U.S. foreign policy if the supplemental is not approved? As an alternative to providing the entire $1 billion, would relief from existing fiscal year 1983 earmarks help? Which supplemental programs are most important?

Answer. While listing of allocations would give us greater flexibility to meet the most urgent problems, it would not solve the basic problem of funding levels that are simply insufficient to meet essential requirements worldwide. Even if we could move money more freely at years beginning, we would still need supplemental funds to meet ongoing program costs, e.g. for Israel, Egypt, Pakistan and Tunisia, and to support modernization programs important to our mutual security interests, e.g. in Korea, Thailand and Turkey.

Question 2. In 1981, Congress passed a 2-year foreign aid authorization bill. What is the Administration's position concerning a 2-year bill for fiscal year 1984–85?

Answer. Whatever the format, the Administration is primarily concerned with obtaining sufficient security assistance funds to meet its worldwide obligations. We cannot say at this point what we would recommend for fiscal year 1985, but an effort is underway to identify where increases will be necessary. The problem with the 2-year authorization passed in December 1981 was that it projected lower numbers than the Administration had wanted. If the base from which the projections are to be made is too low, it not only forces us to choose those commitments which cannot be met, but also prevents us from dealing adequately with emergency situations that arise.

Question 3. A large portion of our security assistance program is justified on base rights grounds. The Committee is pleased with the Administration's decision to request base rights funding as part of the security assistance program. But there appears to be no consistent U.S. policy concerning how much and in what way we should pay for these rights. Should a more consistent policy be developed? To what degree should U.S. access to bases in other countries be seen as in their interest, and thence not requiring any sort of rent payment?

Answer. We do pay rent—identified as such in the DOD budget—to certain countries with which we have no mutual security relationship and in exchange for the conduct of rather limited activities. For example, we lease land in the Seychelles for the operation there of a satellite tracking station. We do not pay rent, however, to a country for access or base rights if we have it as well a comprehensive mutual security agreement.

For some countries in this category, our security assistance is an important, even essential, feature of our overall security cooperation relationship and its periodic renegotiation. Even so, we extend security assistance to these countries only for pur-

poses meeting U.S. security interests as well as those of the recipient. One must also consider the alternative costs of ensuring U.S. security if we did not participate in a worldwide network of defense relationships.

The gravity of the actions which we and our allies must be prepared to undertake, in the context of comprehensive mutual security relationships, to meet common threats are such that the relations can hardly be based solely on financial or economic benefits. The bedrock of these relationships must be shared, fundamental security interests. Assigning "fair rent" values to activities conducted at the facilities granted as under such agreements is thus of limited use.

Question 4. The $21.5 billion arms sales level in 1982 set a new record. Does this high level simply compensate for the low 1981 level of sales or can we expect arms sales totalling $20 billion in 1983?

Answer. Deferred fiscal year 1981 sales were carried over into fiscal year 1982 and accounted for the large increase that year, and will also reflect in the fiscal year 1983 level which we expect to be close to $19 billion. For fiscal year 1984, however, we see a return to about the pre-fiscal year 1981 level at $16 billion.

Question 5. There have recently been procedural difficulties concerning the Section 36(b) AECA arms sales notification procedures. Some sales have been divided into pieces to avoid the $14 million reporting threshold. In other cases, controversial arms sales have been upgraded in significant ways after they were approved by Congress. Can you envision any legislative changes which might avoid such procedural difficulties in the future?

Answer. We do not believe that any changes in the 6(b) notification procedure are necessary or desirable. We have been notifying cases under Section 36(b) in good faith, in an effort to comply with both the spirit and letter of the law. We are aware, however, of Congressional interest in "sensitive" transfers of technology, and we will make every effort to consult with Congress on such transfers.

Question 6. In fiscal year 1983, country specific earmarks combined with program reductions in the Continuing Resolution created severe problems for security assistance to important countries such as Tunisia. The Administration bill would attempt to solve the problem with the use of a provision making such earmarks proportional. How useful would it be under these circumstances if the Committee earmarked the entire security assistance program and added a more flexible waiver provision?

Answer. For Congress to earmark an entire account, even in conjunction with an expanded waiver authority, would not further the goal of a foreign assistance program which is responsive to changing foreign policy needs. Earmarks represent a statement of priorities at the time they are enacted. Months later, although these priorities may shift, earmarking prevents us from altering our foreign assistance to meet this change.

We would have to analyze the language of any proposed waiver provision before we could respond to your question.

While the Administration's proposal for proportional application of earmarks would maintain the same degree of flexibility during Continuing Resolution periods which the Executive Branch had possessed under the terms of the regular authorization and appropriations acts, the fundamental problems caused by earmarking would remain.

Question 7. Section 115 of the draft administration bill would authorize the President to drawdown U.S. military and other stocks up to $25 million for peacekeeping purposes in case of an emergency. What controls would exist in the use of such a drawdown?

Answer. There would be several controls on the use of this authority. Among other things—the assistance must be to friendly countries and international organizations for peacekeeping operations and other programs carried out in furtherance of the national security interests of the United States;

The President must determine that an unforeseen emergency requires the immediate provision of assistance;

The prior notification requirement in Section 652 of the Foreign Assistance Act must be satisfied.

Question 8. The Economic Support Fund is a mix of balance of payments support programs and development assistance; both provided for security reasons. The functional development programs are also often provided to countries for sound foreign policy reasons. Given the dramatic expansion of ESF programs in recent years, does it make sense to review the current program structure with a view towards combining aspects of the ESF program with development assistance?

Answer. In essence, we are using an integrated budget allocation process to ensure that we get maximum benefit from every form of economic assistance. Development assistance is most effective at dealing with long-term problems such as insti-

tution building and the structural problems of developing economies. ESF focuses more on near-term macro-economic problems that characterize the major barrier to LDS growth and development. A balance has been struck between the two. It is essential that we return maximum flexibility in the ESF account to meet individual situations as occur as they affect our national interests. The range and variety of programs we have today, both in development assistance and ESF, help provide this flexibility.

Question 9. What are the Administration's current plans with regard to arms sales to Jordan? Have we agreed in principle to sell Jordan F-16s, F-20s, mobile I-HAWKS, AIM9-Ls, or stinger missiles? Under what circumstances might we agree to such sales?

Answer. No specific arms requests for sophisticated aircraft, mobile I-HAWK or AIM-9L missiles are pending at this time. We have agreed to offer Stinger to Israel, Jordan, Pakistan, Egypt, and Saudi Arabia, but we have not yet signed an LOA with Jordan for Stinger.

The United States and Jordan have had a mutually productive military assistance and security relationship for over a quarter of a century in the context of our traditional close relationship. Jordan has an urgent requirement for more modern armament, especially for air defense. Jordan shares our priority goals for the security and stability of the area, including the Gulf. In light of this longstanding relationship, any future Jordanian request for the sale of arms will be given serious consideration, in full consultation with the Congress.

Should Jordan decide to engage in the peace process with us, Jordan inevitably will accept a heightened risk to its security. If Jordan undertakes such a historic commitment, the United States will accept its responsibilities of leadership by continuing our tangible support for Jordanian security.

Question 10. We are entering the second year in our new six year security assistance relationship with Pakistan. Based on our first year's experience, can you tell us (1) what is the extent of progress in United States-Pakistani strategic cooperation during this past year?

Answer. Our reinvigorated security relationship with Pakistan is based on Pakistan's strategic location in a region which has undergone several decades of turmoil and upheaval. A stable and secure Pakistan can serve as an anchor for the entire region and ehance the prospects for regional peace and stability.

The proximate cause of our security assistance program is the threat to Pakistan's security posed by the presence of over 10,000 Soviet troops in Afghanistan. In order to allow the Government of Pakistan to maintain its courageous stance against the Soviet invasion of Afghanistan and to continue to provide shelter to the over 2.8 million Afghans who have fled the fighting in their country, it was crucial that Pakistan's security requirements be met.

In the past year, we have continued to work closely with the Government of Pakistan to keep international attention focused on the Afghan crisis. The Pakistanis have led efforts in several international forums to accomplish that goal, as well as participate in the search for a peaceful resolution of the crisis. We support Pakistan's efforts in both of these areas.

The past year has also witnessed a number of ship visits to the port of Karachi by U.S. naval vessels and a number of senior level military contacts between the two countries.

Our discussions with President Zia during his visit to the United States in December have underlined the substantial agreement which exists between the two countries on matters of strategic significance. We believe that, as our relationship matures, and the Pakistanis gain confidence in the durability of their ties to the United States, the scope for enhanced strategic cooperation will expand.

Question 11. How do you judge the prospects for a Pakistani nuclear detonation?

Answer. We do not expect Pakistan to attempt a test of a nuclear explosive in the near future. An important objective of our non-proliferation policy is to ensure that no decision to pursue such an action is taken in the future. We believe that a program of support which provides Pakistan with a continuing relationship with a significant security partner and enhances its sense of security may help remove the principal underlying incentive for the acquisition of a nuclear weapons capability. With such a relationship in place we are hopeful that we will be able over time to persuade Pakistan that the pursuit of a nuclear weapons capability is neither necessary to its security nor in its broader interests.

Question 12. There have been articles in the Egyptian press recently which have criticized the U.S. aid program as "a shadow government" in Cairo. The thrust of such criticism is focused on the size of the AID mission (150 persons) as well as the

function of the aid program in various sectors of the Egyptian economy. What steps have been taken to respond to this criticism?

Answer. The number of U.S. Government personnel in any country is a matter to which we attempt to remain sensitive and regularly evaluate. While our AID Mission in Cairo is the largest AID Mission anywhere, we do not believe it is unduly large given the size of the economic assistance program it administers. With annual obligations of $750 million and a $2.7 billion portfolio of some 70 projects and dozens of sub-projects, careful program and project design, administration and monitoring that protect the U.S. taxpayer's interest cannot be properly carried out with a smaller staff.

In no way does it constitute a shadow government. Such periodic criticism is founded in misperceptions both of the relative number of AID personnel in Egypt and of their role. At any time, there are 12,000–13,000 Americans in Egypt, including some 3,000 tourists and over 7,000 non-U.S. Government related residents. Of the remainder, approximately 130 are direct-hire U.S. employees of AID and slightly less than 500 are AID-financed contractors, most of them under contracts with the Egyptian Government. Therefore, while it is possible that many Egyptians assume that the Americans they encounter are connected with the AID program, the odds are distinctly against this being true. Reducing the number of AID personnel would have little or no effect on this misperception. With respect to the role of U.S. consultants and advisors, which are the particular target of criticism, our mission takes every appropriate opportunity to emphasize that the vast majority are in Egypt at the specific request of the Egyptian Government and usually under contract to that government. In addition, we have been especially careful to limit the number of AID direct hire and direct contract advisors to the essential minimum.

Question 13. What understandings were reached with President Mubarak during his recent visit here concerning the levels and terms of the United States-Egyptian aid program?

Answer. The levels and terms of the aid program discussed with President Mubarak and his advisors during the recent visit were the same as those provided the Congress, i.e. Economic Support Fund grants of $750 million and an FMS package of $1.3 billion, including $450 million in forgiven credits. President Mubarak was also given assurances that our economic assistance will complement Egypt's economic policy and development priorities, with specific reference to the priorities of Egypt's new 5-year plan. Emphasis will be placed on increasing agricultural and industrial productivity and the rehabilitation and expansion of the water and related disposal systems in Egypt's major centers.

Question 14. Recently a Washington Post article quotes AID Mission Director Stone in Cairo as identifying $300 million worth of "turkey projects" (his words) that ought to be deobligated in Egypt. What is the status of these projects, and can you identify them for this Committee?

Answer. Since 1975 AID has provided $5.8 billion to Egypt. Some of the projects are experiencing implementation problems, which may or may not be resolvable. Where the problems cannot be resolved, AID and the Egyptian Government are interested in finding a way for funds of these projects to be used for other more productive projects. The Administration will be consulting with Congress about obtaining limited authority to do this reprogramming.

The $300 million figure includes the total cost of several projects which are encountering problems, are behind schedule, and perhaps cannot be completed as originally designed. Problem projects are periodically identified during meetings of our Mission and the Egyptian Government. Extra attention is then placed on these projects to get them back on track. In some cases, increased monitoring is sufficient to overcome implementation bottlenecks. In others, the result is a restructured design and/or the release of funding for potential reprogramming.

Question 15. Mr. McPherson, could you describe for the Committee how the $150 million in ESF assistance for Lebanon will be used? Will it be distributed through the central government or the PVOs? Will UNWRA get some of these funds?

Answer. The $150 million ESF requested for Lebanon in fiscal year 1983 will be used primarily to rehabilitate and reconstruct Lebanon's public sector, much of it in the Beirut area. These AID resources would repair and rebuild vital public services in such Lebanese Government priority sectors as water and sanitation, health, telecommunications, electric power and transportation. About $10 million of these funds would be in the form of grants to PVOs engaged in rehabilitation work. The other $140 million would be administered by Lebanese Government agencies. We have no plans to use any of these funds for UNWRA.

Question 16. The $100 million FMS financing for Israel will be used to build a 5th Lebanese Army Brigade. What confidence do you have that new equipment in a country inundated with weapons will help strengthen the Lebanese Army?

Answer. The Lebanese Army has embarked on a comprehensive modernization program that includes acquisition of new equipment. U.S. assistance to Lebanon's Army, which enjoys the support of all of Lebanon's communities, is an essential part of our policy to strengthen the Government of Lebanon and to give it the means to extend its authority throughout Lebanon.

Question 17. Last year Congress earmarked $5 million in ESF assistance for Tunisia because Congress considered the AID programs there very successful. This year the Administration recommends large increases in military aid for Tunisia, but no economic aid program. Why is the Administration concentrating on military aid to Tunisia at the expense of economic aid?

Answer. The Administration is not recommending a large increase in security assistance for Tunisia in fiscal year 1984. Our request is for $140 million—the same as our request in fiscal year 1983. The concessional element of the request is a bit higher in fiscal year 1984, reflecting in part the drastic cut we had to make in Tunisia's level of concessional assistance in fiscal year 1983 as a result of Congressional action on our overall level of concessional assistance that year. The Tunisian government has requested that we provide it at least as much security assistance as we have requested, so that it may make payments on a minimum force of U.S-made planes, tanks, and missiles to deter Qadhafi.

The Tunisians have made such good use of the billion dollars of economic assistance we have offered them since Tunisian independence that the country has attained middle-income status, with a per capita income in excess of $1,300. The focus of our bilateral economic relations is accordingly changing from direct aid to trade, private investment, and help in boosting Tunisia's private sector. Public Law 480 assistance and some previously-funded aid projects will continue for a time to smooth the transition.

Question 18. In the Continuing Resolution, many NATO oriented programs (specialty metals, prepositioning of equipment, host nation support) were dropped from the bill in conference. State Department support for these important proposals was less than effective. Do you believe there is an adequate focal point within the Department concerning NATO oriented political military affairs? Do you believe that the Under Secretary for Security Assistance should play a more active role in these issues?

Answer. The Department of State on many occasions has clearly and forcefully advocated Congressional rejection of those provisions which will have a negative impact on key NATO programs even when they are attached to Department of Defense legislation. For example, during consideration of the fiscal year 1983 Continuing Resolution, Under Secretary Eagleburger testified before the Senate Foreign Relations Committee on November 30 to reiterate the Administration's strong opposition to these provisions. His testimony could not have stated the reasons underlying that opposition nor the potential negative consequences of passage more clearly.

With regard to the management of NATO political/military issues, I can only say that the Alliance remains a principal focus of U.S. foreign policy. As such it is a subject of day to day attention by the Secretary and his senior staff, including all three Under Secretaries with relevant responsibilities.

Question 19. Over $50 million has been reduced from the originally planned spending levels for key Caribbean nations such as Honduras, Jamaica, Costa Rica and the Eastern Caribbean regional program. Some of these funds are restored in the supplemental fiscal year 1983 request. The planned level for El Salvador has been increased without additional amounts requested in the supplemental. Why have Caribbean Basin nations been reduced while El Salvador has been increased?

Answer. The Salvadoran economy has contracted nearly 25 percent over the last 4 years. Further contraction could create the reverse of the results we are striving for: increased unemployment, social unrest, erosion of commitment to land reform, reduced ability to control the insurgency. Next to the insurgency, shortage of foreign exchange is the most inhibiting economic constraint on El Salvador. We have therefore moved up front the economic assistance El Salvador needs to avoid a further contraction in output. We have had to defer full funding in countries where in our judgment we felt a delay would less seriously hurt our planned program than in Salvador. For example, it has taken longer than we thought to build the kinds of programs which will be of the most benefit to the small island-states of the Caribbean, and in Jamaica we will have to delay provision of some technical assistance intended to assist in expanding private sector initiatives.

Question 20. The Administration has reduced Zimbabwe's ESF from $75 million to $60 million under the CR. What is the programmatic justification for this reduction?

Answer. There was no programmatic justification for reducing ESF to Zimbabwe. Rather the cutback is due solely to the fact that requirements in the entire world far exceed fiscal year 1983 ESF funds available under the present Continuing Resolution. We intend to seek restoration of the full $75 million level for fiscal year 1983 by requesting a supplemental appropriation.

Question 21. Last year this Committee required that aid to Zaire was to be tied directly to the successful completion of an IMF agreement. What progress in the Zaire-IMF negotiations can you point out to justify an additional $10 million in ESF for that country?

Answer. The Administration fully intends to comply with the Congressional requirement tying an ESF program to an active IMF-Zaire agreement. We have budgeted $10 million for a Zaire ESF program to position ourselves to flexibly support an IMF program once it is in place.

Although we are not in a position to predict when a new IMF agreement will take place, the Zaire-IMF dialogue has intensified. President Mobutu has instituted reforms to turn around the economy, including a reorganization of the mining sector and an anti-corruption campaign. Further efforts, including more budgetary control and exchange realignment, are expected.

Question 22. The Administration has requested $42 million in fiscal year 1984 for Kenya which is almost a fourfold increase since 1982. What is the basis for such a large ESF program in Kenya?

Answer. Kenya is a country with which we have a cooperative relationship and whose stability is important to our strategic interests in this region. Our ESF program is intended to contribute to improving the economic prospects and long term stability of Kenya.

Kenya's economic fortunes have declined seriously over the past 2 years. This has been in part the result of external factors—falling world prices for its major agricultural exports, rising prices for manufactured imports and the world recession—and also because of internal structural difficulties in the industrial and agricultural sectors. In recognition of this reality we have designed our assistance programs to Kenya so that the major impact, and bulk of our assistance, will contribute to maintaining Kenya's economic stability. That economic stability in turn is key to continued political stability in the country.

Our assessment of the importance of ESF-type assistance to Kenya is shared by the Kenyan Government. In the aftermath of the attempted coup of August 1, 1982, the Government of Kenya requested an increase in economic assistance in order to help it deal with the economic problems that create the conditions for political unrest. The increase in our request for ESF funds in fiscal year 1984 over our requests in previous years is part of our response to this Kenyan request.

Question 23. The Administration requests an additional $125 million in stockpiling authority for South Korea in fiscal year 1984. Have procedures been worked out to release these U.S. stocks to Korea in time of emergency? To what extent should we think of this stockpiling authority as foreign aid?

Answer. This authorization is requested to help improve the sustainability of Korean forces. Actual transfer of material would be in accordance with the terms of a contingency sales agreement concluded with the Republic of Korea in 1982. The Congress was fully briefed on this agreement before it was signed and under section 36b of the Arms Export Control Act Congress was notified of the contingency sale of up to $2 billion (in fiscal year 1982 dollars) of WRSA assets. The U.S. Government will retain title to these stocks until transfer is made to Korea. Because this transaction is being carried out under the provisions of the Foreign Assistance Act, it can technically be described as "foreign aid." Any transfer, however, will be on a reimbursable basis under section 21 of the Arms Export Control Act.

Question. 24. The Administration requests FMS extended repayment times for South Korea. Is this justified given the generally good condition of the South Korean economy?

Answer. To help South Korea achieve a more acceptable military balance vis-a-vis North Korea, we provided $166 million in FMS credits in fiscal year 1982. Our fiscal year 1983 proposal for $210 million is limited by the CR to $140 million, some 16 percent below last year's figure. This has been a major setback for Korean defense planning, because the ROK budget, like ours, faces unusual constraints and pressures due to economic conditions. Although Korea achieved approximately 6 percent real growth in 1982, it still has negative trade (−$2.4 billion) and current account (−$2.5 billion) balances, sharply limiting foreign exchange available for equipment purchases. Moreover, Korean repayments to the United States of interest and prin-

cipal ($254 million in fiscal year 1982) exceeded new FMS programs by some $88 million, further limiting the hard currency available for major new equipment.

The ROKG has maintained defense spending at 6 percent of GNP, a level equaled by few of our allies. Given the dangerous imbalance on the peninsula, it is in our interest to assist Korean efforts. Improved repayment terms will make more resources available for the Korean defense effort.

Question 25. What are our current estimates concerning the war in Cambodia? Do we believe that it could spill over into Thailand?

Answer. Vietnam invaded Kampuchea in December 1978, and almost 180,000 Vietnamese troops continue to occupy that country in defiance of United Nations General Assembly resolutions passed by an overwhelming majority of U.N. members. During the last four dry seasons, Vietnamese troops have tried unsuccessfully to eliminate the Kampuchean resistance. This year, the Vietnamese are again initiating attacks against resistance forces along the Thai-Kampuchean border, particularly against those loyal to non-Communist Kampuchean nationalist leaders, Prince Sihanouk and Son Sann. On January 31, Vietnamese troops backed by heavy armor and artillery indiscriminately attacked a Kampuchean border settlement of more than 45,000 civilians near Nong Chan and destroyed the settlement, including medical facilities and schools built and run by personnel from the International Red Cross and other international organizations. The Vietnamese apparently also deliberately shelled nearby Thai villages causing some casualties and destruction of property. We expect Vietnamese troops to continue their attacks against military and civilian targets along the border through the remainder of the dry season, but Vietnam will be unable to destroy the resistance. We do not believe that Vietnam will conduct a major, sustained attack or invasion against Thailand. As in past years, however, Vietnamese troops may occasionally cross into Thailand in hot pursuit and inflict casualties and damage in Thai border villages.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR GLENN

Question 1. In this Committee's mark-up of the foreign aid bill last year, we adopted a $66 million cap on all security assistance to El Salvador. In addition to our action, the Senate Appropriations Subcommittee adopted a $95 million cap on ESF for that country. The full Congress ultimately adopted a $75 million ceiling for ESF provided to El Salvador through the CBI. Given that legislative history, how do you jusitify the blatant decision to provide $140 million in ESF—at least $25 million of which will be reprogrammed?

Answer. The Executive Branch takes seriously Congressional statements on how funds should be allocated among various countries. In addition, the Executive Branch will comply with all applicable reprogramming requirements in conjunction with furnishing assistance to El Salvador. We believe that the amounts we are now proposing for allocation to El Salvador are critically important to our national interests in this area.

In the past 4 years, the Salvadoran economy has contracted by 25 percent. This has meant an increase in unemployment and business failures, forestalling the return of critically needed investment, and distracted the political and military leaders from the task of halting the insurgency. In our fiscal year 1983 budget presentation a year ago we requested $105 million in ESF for El Salvador. Since that time, even with the additional assistance provided with the CBI supplemental, it has become clear that additional support is required to prevent the economy from contracting further and disrupting the essential functions of the country. Our best estimate of the needs of the Salvadorans to halt further contraction of the economy is at least $140 million in ESF. Approximately $127 million will be direct balance of payments support to provide foreign exchange for essential imports of raw materials, and intermediate and semi-processed goods as well as agricultural inputs.

Question 2. Why did the Administration decide not to include any of the additional funds for El Salvador in the Supplementary request?

Answer. The timely infusion of foreign exchange for imports of critical industrial and agricultural inputs is essential to prevent the economy from contracting even further. Without significant balance of payments support early in the year, we may expect the Salvadoran economy to shrink another 4 to 5 percent in real terms, and per capita income to shrink even further with consequent social costs. Moreover, guerrilla disruption of electrical service in the northeastern portion of the country has had a severe impact on the economic production of that area which supplies a significant portion of agricultural export earnings. Rapid restoration of full electri-

cal services, which will also be more immune to guerrilla activities, is urgent to the economic stabilization of the country. Consequently, economic assistance for El Salvador was moved up front rather than risk further severe economic deterioration while awaiting the longer process of approval of the supplemental.

Question 3. Please explain, in detail, how it was decided that $140 million was the appropriate and necessary amount of ESF for El Salvador. In your response, please provide specifics on how the funds will be used, identifying those sectors of the economy which will be assisted and the amounts allocated to each.

Answer. We have continually analyzed the economic situation and prospects of El Salvador as well as the other countries for which we provide economic assistance. El Salvador is a country suffering civil insurrection by guerrillas with no popular support who are encouraged by Communists from abroad. The guerrillas have systematically attacked the nation's economic infrastructure. Continued deterioration of the economy resulting from the absence of credit, acute shortages of foreign exchange and investor reluctance to expand interests in El Salvador has produced an even more negative economic performance than originally projected. A revision of our projections early this fiscal year showed a financing gap of approximately $419 million. In order to maintain critical imports of raw materials and intermediate goods as well as essential agricultural inputs. Consequently, $127 million of the planned ESF will be utilized to provide foreign exchange for critical imports of raw materials and semi-finished products for the manufacturing sector and agricultural inputs for that sector. Most of the remainder will be used to maintain and restore public services damaged by guerrilla action, particularly the electrical system requirements in the country's eastern region.

Question 4. Have there been any discussions involving you or your colleagues concerned with the possible use of section 506 drawdown authority in order to provide additional military aid to El Salvador in fiscal 1983?

Answer. As you know, section 506(a) drawdowns can be used only in response to unforeseen emergencies to maintain at least zero growth in real terms, El Salvador needs in which immediate military assistance is required and when no other sources of funds are available. Obviously, if such an emergency situation arose, we would have to make a considered response. But we do not make our budgeting decisions in anticipation of such an emergency.

Question 5. In a staff briefing on this year's security assistance request, General Gast earlier indicated that he expected the FMS Guaranty Trust fund to fall below the $750 million level that triggers the statutory Congressional notification requirement. Please provide this Committee with a full and complete list of all technical defaults or reschedulings of outstanding FMS debts by countries that have occurred for the past 3 fiscal years. Also please provide this Committee with a complete list of any and all anticipated reschedulings that are presently being discussed, negotiated or foreseen in the coming 2 years.

Answer. Reschedulings for the past 3 years are as follows: Liberia—$1,549,568, Peru—$4,417,470, Senegal—$1,418,647, Sudan—$9,684,067 and Turkey—$347,591,030.

There are only two reschedulings we know of for the coming 2 years: Costa Rica—$1,100,000 and Sudan—$16,500,000.

There are a few countries that are late in making payments on FFB loans, but most recipients do repay their loans on time and no country has defaulted. In general, the repayment record thus far has been quite good.

Question 6. Do you anticipate that at some point in the next few years additional authorization will be sought for the FMS Guaranty Trust Fund?

Answer. The Fund contained $919 million at the start of this fiscal year and is expected to drop to about $790 million by the beginning of fiscal year 1984. We estimate the current balance of the Guaranty Reserve fund to be adequate through fiscal year 1983, also taking into account guaranties scheduled for issue in fiscal year 1983, and considering the current debt servicing capacity of borrowing countries, as reported to the Congress pursuant to section 634(a)(5) of the Foreign Assistance Act of 1961, as amended. During fiscal year 1984, we estimate that the balance of the Fund will drop below the $750 million threshold established by Congress. If and when this occurs, the prescribed Report will be provided the Congress with recommendations on the future of the Fund and its replenishment.

Question 7. What is the Administration's position on whether all FMS credits should be restored and treated as "on-budget" as opposed to the "off-budget" credit status they now have?

Answer. Over the past several months, the Administration has been looking very seriously at the idea of putting all FFB activity on-budget, including FMS guaranteed loans. It was decided not to make this change in fiscal year 1984. An on-budget

FMS credit program already exists in Section 23 of the Arms Export Control Act, in addition to the off-budget FFB guranteed loan authority in section 24. As recently as fiscal year 1981, we provided over $1 billion of this on-budget "direct" credit (not counting some $500 million in forgiven direct credit to Israel), as compared to $900 million in off-budget guranteed loans that year. In fiscal years 1982 and 1983, however, the Congress chose to use on-budget direct credit only for forgiven credit to Israel, Egypt, and Sudan, and to provide concessional assistance instead through a mix of MAP grants and off-budget guaranteed loans. In recognition of this preference, the Administration revised its fiscal year 1983 request last November, and is making its fiscal year 1984 request along the same lines.

Question 8. One billion dollars is requested for fiscal 1984 in FMS direct credits and $474 million in grant MAP. What specific criteria have been used to decide which recipients ought to be favored with grant aid rather than normal guarantees?

Answer. The $1 billion in direct credit (also called "forgiven credit") goes to only two countries: Israel and Egypt. It has been so earmarked in fiscal year 1983 by Congress, although at slightly higher levels than are proposed for fiscal year 1984. All other grant funding for military purposes—other than training—is provided under the Military Assistance Program. The Administration's primary criterion for allocating this grant assistance is financial need. For poor countries with heavy debt burdens we may allocate all MAP grant funding for the purchase of needed equipment and supplies. Countries that are better able to repay loans are given a combination of MAP grant funding and FMS guaranteed loans, and some countries are given no MAP funds at all. The $747 million total includes $46 million for general costs and $50 million to repay section 506(a) drawdowns made in fiscal year 1982. The remainder is for 24 country programs.

Question 9. Included in the supplemental request is $251 million for Lebanon, $100 million of which is military assistance. Please describe what has so far been provided to Lebanon, and what plans you have for allocating the $100 million if approved by Congress.

Answer. In an accelerated program to build up the Lebanese army, we are providing Lebanon in fiscal year 1983 with $75 million worth of tanks, howitzers, machine guns, APCs and other equipment to bring four brigades up to 70 percent strength. Most of this equipment will be delivered by the end of this month. The Lebanese have signed contracts to buy an additional $33 million worth of similar equipment to equip a fifth brigade and bring one of the first four brigades up to 100 percent strength. They are considering further purchases worth approximately $130 million, to provide APCs for the fifth brigade and to reequip and train a sixth and seventh brigade. The $100 million requested in the Supplemental would be used primarily to fund equipment for these last two brigades.

Question 10. Does the Bartlett Report constitute the basic blueprint for U.S. military aid to Lebanon?

Answer. Yes; the Bartlett Report represents an agreed United States-Lebanese plan for the modernization of the Lebanese Armed Forces. However, the plan's time-phased program may be revised depending on the ability of the army to rapidly absorb new equipment and recruit the necessary manpower.

Question 11. The fiscal 1984 foreign aid request contains a substantial increase in military assistance, compared to current funding under the Continuing Resolution. Overall, a 21.2 percent increase is sought for military aid compared to a more modest 10.8 percent increase in ESF and a no-growth 4.1 percent increase in development assistance. Individual parts of the military aid request show even more astounding rates of increase; MAP, for example, jumps 157 percent, IMET 25 percent, and FMS guarantees are increased by 21.9 percent.

Is any thought ever given to achieving some modicum of balance between economic and military or security and development assistance? Do you believe some balance is useful within the context of our foreign aid efforts?

To what extent do economic problems overtake military threats as the primary cause of instability in countries like Kenya, Liberia, Pakistan, El Salvador and the Sudan?

Answer. The increases in security assistance cited in the question are based upon the fiscal year 1983 Continuing Resolution, which we regard as inadequate so we are seeking a supplemental. Comparison with our fiscal year 1983 request levels would be more valid and would show much smaller increases in all accounts. The levels for fiscal year 1984 were developed through an integrated interagency process which examines our programs in each country across a broad spectrum of foreign policy and national security considerations. We make a concerted effort to use the most appropriate form of assistance to serve the interests of both the recipient and the United States, all within the constraints of very scarce resources. The economic

and military needs of the recipients are addressed, as are the equally valid interests of the United States as a major power, such as our need to be able to project our military power into regions where threats to our global security may occur. Economic crises and underdevelopment can provide the tinder in which political and military upheavals ignite. We believe the balance of economic and military assistance requested reflects this concern.

Question 12. The total fiscal 1984 security assistance request is for $9.2 billion. If approved in toto by the Congress, this would represent a 73.6 percent increase above the fiscal 1981 security aid levels. Can you identify any other existing Federal programs that have been increased by a comparable percentage in this 3-year period?

Answer. This comparison is exaggerated by the fact that it compares the actual fiscal year 1981 levels with what the Administration has proposed to spend in fiscal year 1984. Nevertheless, there has been a significant increase in the period concerned; the Administration's policy has been to reverse the decline in security assistance that was contributing to weakened resolve on the part of our allies. Moreover, the southward thrust of Soviet military power into Africa, Southwest Asia, and Central America since the late 1970's has so significantly increased the potential military threat to ourselves and nations friendly to us that a significant increase in security assistance has become necessary. There are other reasons for the increases as well. For example, the "forgiven credits" provided to Israel and Egypt will have doubled over the 1981–84 period if Congress agrees to our proposed level. This reflects our commitment to the Middle East peace process. Despite these increases, total foreign assistance still amounts to less than 2 percent of federal government expenditures.

Question 13. In the past few months, the Administration has employed reprogrammings to plan or implement higher levels of aid for individual nations than had been approved by Congress. For example, $150 million in FMS was reprogrammed for Pakistan. At least $25 million in ESF will be reprogrammed for El Salvador. Please provide the Committee with a full and complete list of all nations for which $25 million or more has been reprogrammed in fiscal 1983 in FMS and/or ESF and from which nations these funds/credits have been reallocated.

Answer. The short answer is that only $150 million in FMS guaranteed loans for Pakistan has been formally reprogrammed. These funds which are intended to help Pakistan deter aggression from Soviet-occupied Afghanistan, have been obtained from the overall appropriation in the Continuing Resolution. It is impossible to specify individual country programs from which they were reallocated. As the Committee is aware, we plan to provide $140 million in ESF to El Salvador in fiscal year 1983; a formal reprogramming notification will be submitted shortly. In addition, the following country programs are also slated to increase in fiscal year 1983 by $25 million or more over fiscal year 1982 levels:

[In millions of dollars]

	Increase	Comment
FMS guaranteed loans:		
Spain	$275	Congressional earmark.
Morocco	40	Do.
FMS direct credit:		
Egypt	225	Do.
Israel	200	Do.
ESF:		
Pakistan	100	
Costa Rica	30	(1)

[1] Not including $70 million in fiscal year CBI funds.

Question 14. The Administration's fiscal 1984 request reduces grant FMS for Israel by $200 million from the level provided under the Continuing Resolution. What is the justification for this de facto reduction in aid to Israel?

Answer. The Administration's request for forgiven FMS in fiscal year 1983 was $500 million. It is $550 million in fiscal year 1984, an increase of $50 million. In the Continuing Resolution for fiscal year 1983, the Congress voted to make the forgiven FMS level $750 million. The President strongly opposed that action.

The $550 million figure adequately fulfills our deep commitment to Israel's legitimate security needs. Moreover, because forgiven FMS has such a direct impact on the U.S. budget deficit, both in authorization and in outlay terms, we have carefully

reviewed our requests for each country to ensure that vital U.S. security requirements are met within budget totals that are consistent with overall U.S. budget objectives. It is our considered judgment that any increases for Israel above the proposed levels would be at the expense of other important programs which would impact negatively on other critical U.S. interests.

Question 15. Jordan would receive an additional $35 million in the supplemental, and a total of $115 million in the fiscal year 1984 requests for FMS credits. Have these requests been tied in any way, explicitly or implicitly to Jordan's entering the Middle East peace process?

If not, are there plans to request additional amounts of military and/or economic aid for Jordan if and when it does enter the peace process? Have any such discussions been held with the Royal Jordanian Government, or with senior representatives of its armed forces.

Answer. The Administration's original budget request for FMS for Jordan in fiscal year 1983 was $75 million. We were forced to set the $40 million figure under the continuing resolution when the Congress did not pass an appropriation. Our proposed FMS levels in both fiscal year 1983 and fiscal year 1984 are designed to help Jordan be capable of defending itself.

No specific arms requests for sophisticated aircraft or mobile I-Hawk missiles are pending from Jordan at this time. However, Jordan has an urgent requirement for more modern armaments, especially for air defense, in light of the real threat Jordan faces from Syria. We have had a mutually productive military assistance and security relationship for over 25 years with Jordan, and we want it to continue.

The King's decision on whether or not to enter the peace process will be influenced in large part by his judgment of our commitment to the principles laid out in the President's September 1 speech. Our continuation of adequate levels of economic and military assistance is also an important way of showing our resolve, and we have discussed these issues with the Jordanians. Our economic assistance program to Jordan is modest. Its size reflects the budget stringencies imposed by the Administration and the Congress rather than a desire to limit our assistance to Jordan. Should the king decide to engage in the peace process with us, Jordan will accept a vastly heightened risk to its security. If the King undertakes the historic commitment to negotiate peace directly with Israel, we will accept our responsibilities by continuing our tangible support for Jordan's security.

Question 16. Included in the fiscal 1983 supplemental request is a $25 million requested repayment to DOD from fiscal 1982. What is the justification for such a request? Given the fact that the Administration plans on at least $25 million in reprogrammings in ESF for El Salvador, why not transfer these funds to DOD for repayment rather than charge the taxpayers this additional amount for El Salvador?

Answer. The repayment is to reimburse DOD for the emergency drawdown of DOD's resources in fiscal years 1981 and 1982 under the authority of FAA section 506(a). The money in no way would add to the level of assistance furnished to El Salvador.

The proposed reprogramming for ESF for El Salvador is our response to El Salvador's current needs. The use of these funds for reimbursement would be to ignore the current problem entirely.

Question 17. In the planned country levels under the Continuing Resolution, the Administration has reduced ESF for several Caribbean Basin nations such as Jamaica, Honduras, Costa Rica, as well as the Eastern Caribbean program. Some of these funds are to be restored in the supplemental. Given the hard sell for emergency economic aid in the CBI justification last year, how do you now justify these de facto reductions under current funding levels?

Answer. The overall reduction in funding levels under the Continuing Resolution, particularly the 8 percent reduction in ESF, put us in a serious bind. We were unable to meet new, urgent requirements that have arisen since our budget proposal was formulated and at the same time maintain all levels of assistance which had been initially identified. The needs in the countries of the Caribbean Basin remain critical. The emergency assistance in fiscal year 1982 supplemental funds which was passed last September have been an essential bridge while legislation is pending on the trade and investment portion of the Caribbean Basin Initiative and funding is being made available for fiscal year 1983. We have been careful to identify those programs where a delay in part of the funding would be least costly to our overall program in that country. We hope in most instances to restore full funding to these programs before the fiscal year ends.

Question 18. The fiscal 1984 request includes $175 million in ESF for Turkey, a significant decrease from the fiscal year 1982 and fiscal year 1983 levels of $300 million. What is the justification for this reduction? Has there been appreciable im-

provement in Turkey's economy? Do you plan a subsequent increase for Turkey in an fiscal year 1984 supplemental?

Answer. Turkey has made remarkable progress under its stringent economic stabilization program, implemented in January 1980 in conjunction with the IMF, World Bank, and OECD donor countries. Inflation has dropped from over 100 percent to under 30 percent, exports are up significantly, and the balance of payments situation is greatly improved. In addition, Turkey is in the process of making a basic economic reorientation towards an open market economy which should make it less likely to return to the crises of the recent past. While Turkey still faces long-term problems of unemployment, low productivity, and a growing debt service, its economic recovery is proceeding well, enabling Turkey to begin a return to private capital markets and reducing short-term dependence of official balance of payments supports. We do not plan a subsequent increase for Turkey in an fiscal year 1984 supplemental.

Question 19. The Administration's fiscal 1984 legislation contains provisions which would change the method of financing FMS training and administrative surcharges from a full cost to an incremental basis. Please explain the differences between the present method of costing these functions and the incremental method proposed in the fiscal year 1984 bill.

Answer. At present, there are actually three methods of costing training sold under FMS. The proposal would authorize one standardized method.

The differences stem from the inclusion or exclusion of base operating costs, administrative overhead costs, charges for asset use, contribution to military retirements, and other indirect costs. The proposal would charge purchaser countries only for the additional or "incremental" costs incurred by the United States Government in providing such training, over and above the costs associated with providing the training simultaneously to U.S. military students.

The following chart is illustrative of the multiple pricing methods which now exist.

	FMS pricing			IMET grant training
		For NATO allies	For IMET recipients	
Direct costs:				
Civilian labor	Charged	Charged	Incremental costing	Incremental costing.
Civilian retirement	do	do	Not charged	Not charged.
Military labor	do	do	Incremental costing	Do.
Military retirement	do	do	Not charged	Do.
Materials/other	do	do	Incremental costing	Incremental costing.
Informational program.	do	do	Charged	Charged.
Indirect costs:				
Civilian labor	do	Not charged	Incremental costing	Incremental costing.
Military labor	do	do	do	Not charged.
Materials/other	do	do	do	Incremental costing.
Asset use charge	do	do	Not charged	Not charged.

Question 20. Section 109 of the Administration's fiscal year 1984 legislation would provide the President with yet another waiver authority permitting him to waive existing legal requirements for foreign countries to repay the United States if/when they resell weapons provided them under grant MAP. What is the rationale for such a change in law? Please cite specific examples where the current requirement has proved an impediment to bilateral relations, or to the security position of the United States, or in what the United States would derive clear benefit from allowing such a sale without reimbursement.

Answer. The proposed waiver authority would provide a very useful foreign policy tool with very low cost to the U.S. taxpayer.

Selective use of the waiver authority would allow us effectively to maintain a constant level of assistance to a recipient country, while freeing current budget resources for other uses.

The authority would give us a means of influencing disposition or transfer of aged equipment which recipients now maintain and operate at great cost, and which they have no incentive to get out of their inventories. The waiver could also be used to

promote a sale to a third country which might need and be able to absorb such equipment.

The normal procedures and controls on transfer itself would continue to apply to any such sale.

The Administration currently must go to great time and trouble to collect small amounts of money in proceeds of sales of 30-year-old equipment.

DEFENSE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR GLENN

Question 1. Please provide this Committee with a list of the military personnel presently stationed in and/or assigned to El Salvador, listing rank and specific task/assignment.

Answer. The following organizations, activities, and trainers were present in El Salvador on 15 February 1983. This is a representational sample of a typical day of American presence there.

1. Defense Attaché Office—6 Man (Three Officers/One Warrant Officer/Two NCOs).

Mission: Carries out traditional representational and politico-military evaluation responsibilities for the Ambassador the Department of Defense and the U.S. military services.

2. U.S. MILGP—6 Man (Four Officers/Two NCOs).

Mission: Manages security assistance program and supervises activities of U.S. training teams.

3. Logistics/Maintenance Engineering and Technical Services Specialists (ETSS)—3 Man (One Officer/Two NCOs).

Mission: To assist and instruct logistics and maintenance personnel in the proper procedures for implementing an effective logistical and depot maintenance support system.

4. Standardization Instructor Pilot/Technical Inspector ETSS—2 Man (Two Warrant Officers).

Mission: To implement an effective system of standardization and control for UH-1H operations and training and to provide technical assistance and control to insure high quality UH-1H maintenance and support facilities.

5. UH-1H Helicopter Maintenance ETSS—3 Man (Three NCOs).

Mission: To provide training assistance to the Salvadoran Air Force Maintenance Section.

6. Communications ETSS—1 Man (One Warrant Officer).

Mission: To provide instruction and assistance to the GOES General Staff and Signal Center of the installation, employment, and maintenance of communications equipment.

7. Navy Maritime MTT—5 Man (One Officer/Seven NCOs).

Mission: To provide specialized training in electronics and engineering and basic training in base security and naval infantry tactics. Additionally, training in management of at-sea and inshore interdiction is being provided to the Salvadoran Naval officers.

8. Communications MTT—1 Man (One NCO).

Mission: To assist the Salvadoran General Staff in planning its communications requirements, implementing the requirements when the equipment arrives, and supervising the training of Salvadoran personnel.

9. Operations Planning MTT—1 Man (One Officer).

Mission: To assist the Salvadoran General Staff in operation planning.

10. Strategic Site Security MTT—2 Man (Two NCOs).

Mission: To provide training on the defense of vital installations.

11. Airborne Battalion Upgrade MTT—7 Man (One Officer/Six NCOs).

Mission: To assist with the upgrading of the airborne battalion during its expansion from two to four companies. Training is to include weapons transition, small unit tactics, and development of NCO leadership.

12. Long Range Reconnaissance Patrol (LRRP) MTT—4 Man (Four NCOs).

Mission: To provide advanced tactical instruction to the LRRP company.

Question 2. Do you anticipate that at some point in the next few years additional authorization will be sought for the FMS Guaranty Reserve Fund?

Answer. The Fund contained $919 million at the start of this fiscal year and is expected to drop to about $790 million by the beginning of fiscal year 1984. We estimate the current balance of the Guaranty Reserve Fund to be adequate through fiscal year 1983, also taking into account guaranties scheduled for issue in fiscal

year 1983, and considering the current debt servicing capacity of borrowing countries, as reported to the Congress pursuant to section 634(a)(5) of the Foreign Assistance Act of 1961, as amended. During fiscal year 1984, we estimate that the balance of the Fund will drop below the $750 million threshold established by the Congress. When this fact occurs, we must provide the Congress with recommendations on the future of the Fund and its replenishment.

We will consult with Congress in the timing and nature of a supplemental decision.

Question 3. In a staff briefing on this year's assistance request, General Gast earlier indicated that he expected the FMS Guaranty Trust Fund to fall below the $750 million level that triggers the statutory Congressional notification requirement. Please provide this Committee with a full and complete list of all technical defaults or reschedulings of outstanding FMS debts by countries that have occurred for the past three fiscal years. Also please provide this Committee with a complete list of any and all anticipated reschedulings that are presently being discussed, negotiated or foreseen in the coming 2 years.

Answer. See attached table.

LOAN RESCHEDULING AND LATE PAYMENTS

[Dollars in thousands]

	Fiscal years—				Not repaid [1]
	1980	1981	1982	1983 [1]	
Reschedulings:					
Zaire					4,771
Turkey	102,485	96,545	99,354	49,207	362,927
Peru	4,417				6,185
Liberia		963	472	114	1,514
Sudan			7,535	2,149	9,684
Total					385,081
Late payments:					
Bolivia	1,753	1,653	1,553	741	3,955
Botswana				105	105
Cameroon		988	1,019		
Colombia		2,124	894		
Costa Rica		612	1,157	15	15
Dominican Republic	128		707	64	697
Ecuador			1,453	1,335	1,259
Egypt	9,593				
El Salvador		394	2,257	1,674	1,674
Gabon	460			761	
Guatemala			157	43	43
Haiti		54	67		
Honduras			666	676	
Jamaica			66		
Jordan	17,461		31,487	14,753	8,860
Kenya		140	1,831		
Lebanon		8,281	21,375	11,947	6,214
Liberia		287	1,774	1,154	2,309
Morocco	17,158	42,986	40,167	10,748	39,522
Nicaragua	1,113				389
Niger			95		
Oman		3,259			
Panama				223	
Paraguay	187				0
Peru	79	551			
Rwanda			19		
Senegal		2,219	1,383		[2] 2,104
Somalia			1,023		
Sudan	121	1,284			970
Tunisia	272		56	1,216	3
Turkey		1,642			8

LOAN RESCHEDULING AND LATE PAYMENTS—Continued

[Dollars in thousands]

	Fiscal years—				Not repaid [1]
	1980	1981	1982	1983 [1]	
Zaire		104	429		429
Total					68,556
Charges (Oct. 1, 1982 to Jan. 31, 1983)				96,925	
Recoveries (Oct. 1, 1982 to Jan. 31, 1983)				−51,585	

[1] As of Jan. 31, 1983.
[2] $1,419 was rescheduled in September 1982 but not, as yet, reflected as a rescheduling in the accounting records.

Note.—There are only 2 reschedulings we know of for the coming 2 yr: Costa Rica—$1,100,000 and Sudan—$16,500,000. Revised: Mar. 7, 1983.

Question 4. General Gast, you have just returned from Lebanon. What is your candid assessment of the current state of the Lebanese Armed Forces, and what, in your judgment, is the likelihood that a confessionally balanced, professionally competent army can be reconstituted there? What is the realistic time line for achieving such a goal?

Answer. My candid assessment is guardedly optimistic about the improving state of the Lebanese Army (LA). I am encouraged by the strong leadership of the LAF commander, the appointments of new key staff and commanders and the active recruitment and training programs. At this point, I understand that the confessional balance is being maintained in both recruitment and officer assignments, and I am confident that there are a number of professionally competent officers within the LA. However, I do not wish to downplay the massive requirements facing the LA as a result of being relatively inactive for years. There is a need for additional recruitment, training, organization, reconstruction of facilities, development of a logistic infrastructure and purchase and integration of new equipment. I also note that continued presence of foreign forces (Israeli, Syria, and PLO) will continue to undermine the ability of the central government's authority to employ the Army which, among other factors, is critical for morale, confidence building and good practical experience.

Reconstitution of the Army is now underway with some positive results already obvious. As the initial shipments of materiel for the first four brigades are delivered (in late February and early March) and new recruits are trained and integrated into these four brigades (beginning in mid-March), the LA will have sufficient capability to provide internal security in some areas currently occupied by foreign forces. The LA modernization will occur in several phases over a period of 2 years or more. The success of this long term development depends directly on the results of the short term program now underway. The rapid buildup of basic materiel and training now in progress will form the foundation for long term development of a professionally competent army.

Question 5. Is this fund now in active use, has it proven to be a useful function? Can you point out any examples of where it has been helpful to you in giving you that additional flexibility?

Answer. Authority to obligate $125 million (vice the $300 million requested) credited to the SDAF was provided upon passage of the DOD fiscal year 1982 supplemental appropriations request, Public Law 97-257. By 30 September 1982 the SDAF initiative was launched with the following contract obligations: $82.4M for a complete M60A3 tank package of 54 tanks with ammo, $7.1M for 1,200 I-TOWS Missiles, $5.9M for 120 TV Maverick Missiles, and $13.8M for two complete AN/TPS-70 radar packages.

During the short period before the end of fiscal year 1982 (when the obligation authority expired) $15.8M could not be placed on contracts and formally be obligated. Of the total unobligated balance, approximately $13-15 million must be obligated in fiscal year 1983-84 for unavoidable costs and contingent liabilities if current programs are to be completed. The schedule for delivery of these first SDAF items is as follows: Tanks—fourth quarter calendar year 1984, TV Maverick—fourth quarter calendar year 1983, I-TOW—first quarter calendar year 1984, Radars—first quarter calendar year 1985.

As the delivery schedule indicates, none of the major SDAF items now on contract and in production are available for shipment to a foreign customer. The flexibility we seek to meet urgent FMS requirements will not be well established until the SDAF is supported with full authority to obligate available funds. Congress has au-

thorized a cumulative $900M SDAF capitalization through fiscal year 1984, without having to appropriate any monies.

However, the cumulative obligation authority to date, $250M for fiscal year 1982-83, is only 42 percent of the approved SDAF goal for fiscal year 1982-83 of $600M. Approval of $325M for fiscal year 1984 will bring the total SDAF obligation program up to 64 percent of its approved $900M capitalization level. Because the SDAF has only received 42 percent of the fiscal year 1982-83 obligation authority requested, many of the high priority items proposed for fiscal year 1983 SDAF acquisition are "carry overs" from the under-funded fiscal year 1982 procurement plan. Examples of these are tactical radios, 155 mm artillery and ammo, air-to-air missiles, man portable air defense systems, tanks and ammo, etc.

The Special Defense Acquisition Fund (SDAF) is in active use; the SDAF account has been established with the Treasury. Receipts from asset use charges and nonrecurring research, development, and production costs imposed on certain foreign military sales (FMS) and direct commercial military sales are flowing into the account. During fiscal year 1982 these receipts totalled approximately $204 million. In fiscal year 1983 and 1984 we anticipate receipts of $255M and $261M respectively.

To maintain SDAF momentum and to attain the flexibility we need, the $325M in obligation authority requested for fiscal year 1984 is clearly required. We can then make SDAF a significant element of our long term security assistance planning. It will increase the availability of selected critical items in short supply, while diminishing the potential adverse impact sales from U.S. military stocks could have on U.S. combat readiness.

During fiscal year 1982, production diversions and U.S. military stock withdrawals to fill urgent allied/friendly government needs remained at a high level. We can't build military equipment overnight, weapons costs are high and production lead times are lengthening. In fiscal year 1983, 54 M60 tanks (one battalion) plus ammo/support will cost nearly $100M and have a three year lead time. Without full funding we will have to forego procurement of adequate numbers of tanks, vehicles, howitzers, ammunition, missiles, etc., to meet anticipated foreign sales. The United States needs full SDAF funding for long range security assistance hardware planning and procurement. Without it we will not be able to reduce the diversion/withdrawal problem for a significant number of U.S. weapon systems.

Question 6. The Administration's fiscal 1984 legislation contains provisions which would change the method of financing FMS training and administrative surcharges from a full cost to an incremental basis. Please explain the present method of costing these functions and the incremental method proposed in the fiscal year 1984 bill.

Answer. Administrative surcharge:

The proposed change to section 21(e)(1)(A) would clarify an ambiguity caused by differences in two sections of the AECA. Section 21(e)(1)(A) of the Act states that sales will include appropriate charges for "administrative services, calculated on an average percentage basis to recover the full estimated costs of administration of sales made under the Act . . .". Section 43(b) indicates that "Charges for administrative services calculated under section 21(e)(1)(A) . . . shall include recovery of administrative expenses incurred by any department or agency of the United States Government . . . when . . . such functions are primarily for the benefit of any foreign country."

Current DOD cost recovery policies and procedures have been developed and implemented to fully comply with the AECA by identifying and charging to the FMS customer the full amount of those costs which can reasonably be attributed to USG efforts to execute the FMS program, not those which DOD would have incurred even in the absence of the FMS program.

The change to section 21(e)(1)(A) is not expected to result in a reduction of the current administrative surcharge percentage, but would avoid the necessity of an immediate increase in the percentage levied on foreign military sales.

FMS Training:

At present, there are three existing methods of costing training sold under FMS. The proposal would establish one FMS price for sales for training.

The differences in pricing stem from the inclusion or exclusion of base operating support costs, administrative overhead costs, charges for asset use, contribution to military retirements, and other indirect costs. The proposal would charge purchaser countries only for the "additional" or incremental costs incurred by the USG in providing such training, over and above the costs associated with providing the training simultaneously to U.S military students.

The following charge is illustrative of the multiple pricing methods which now exist.

	FMS pricing			IMET grant training
		For NATO allies	For IMET recipients	
Direct costs:				
Civilian labor	Charged	Charged	Incremental costing	Incremental costing.
Civilian retirement	do	do	Not charged	Not charged.
Military labor	do	do	Incremental costing	Do.
Military retirement	do	do	Not charged	Do.
Materials/other	do	do	Incremental costing	Incremental costing.
Informational program.	do	do	Charged	Charged.
Indirect costs:				
Civilian labor	do	Not charged	Incremental costing	Incremental costing.
Military labor	do	do	do	Not charged.
Materials/other	do	do	do	Incremental costing.
Asset use charge	do	do	Not charged	Not charged.

[Whereupon, at 12:50 p.m., the committee adjourned, subject to call of the Chair.]

APPENDIX

PREPARED STATEMENT OF ARMISTEAD I. SELDEN, PRESIDENT, AMERICAN LEAGUE FOR EXPORTS AND SECURITY ASSISTANCE, INC., WASHINGTON, D.C.

Mr. Chairman, Members of this Committee, I am pleased to have another opportunity to express the views of the American League for Exports and Security Assistance, Inc. (ALESA) on the security assistance programs, in particular S. 637, the International Security and Development Cooperation Act of 1983. The program proposals contained in this bill, and in S. 638 and S. 639, the related fiscal year 1983 supplemental bills also under consideration by the Committee, will help provide for the minimum military security requirements of our country and its friends overseas in light of current and future threats. It will also have a major positive impact on the U.S. economy, particularly in the high technology sectors in which we must continue to be competitive internationally.

I should first note that ALESA is a labor-management organization currently consisting of five national and international unions representing several million workers, and 34 U.S. corporations employing hundreds of thousands of workers. A list of our membership is attached. ALESA's principal goal is to encourage the export of American goods and services in consonance with the security and economic goals of this country.

The foreign aid programs, including both military and economic assistance, are critical tools with which our government conducts our foreign policy, and are an integral part of the overall effort to provide for current and future security needs of the United States. I would like to briefly address several general issues related to the security assistance component of this program, including the question of the overall amounts of security assistance, the balance between military and economic aid, the cost-effectiveness of the program as a means of meeting U.S. security needs, and the commercial and economic implications of the program.

I am aware, of course, that it is politically difficult to defend a foreign assistance program when the domestic economy is under strain and budgetary constraints are severe. Taxpayers naturally question why foreign assistance shouldn't be cut at a time when the growth of many domestic programs is being reduced. The answer is that foreign assistance has steadily been reduced for 2½ decades. The total foreign assistance request of some $14.6 billion, including the off budget FMS sales, guarantees, and contributions to multilateral banks, and the food for peace program, amounts to 1.6 percent of the total request for Federal budget authority. This compares to an average of around 2 percent of the Federal budget authority during the Carter Presidency; 3.7 percent during the first four Nixon years; 4.1 percent during the Johnson years; and 5.4 percent under the second Eisenhower Administration. In other words, the current request for foreign aid is about a third relative to the Federal budget of what it was during the 1950's.

The same trend is shown if we look at foreign assistance as a percentage of GNP. The current request would amount to about four-tenths of 1 percent of projected 1983 GNP (using the Congressional Budget Officer's base line projection). This compares with .44 percent of GNP during the Carter years, .75 percent during the Nixon years .82 percent during the Johnson Presidency, and 1 percent under the second Eisenhower Administration. Once again, foreign assistance in the current request is about one-third relative to GNP as compared to the 1950's.

Quite clearly, whatever accounts for the rapid growth of the federal budget, it has not been an increasing foreign assistance program. In fact, it is doubtful that there is any other category in the Federal budget which has suffered so consistent an erosion during the post World War II period relative to other budget items as foreign assistance. As a final point, it might be noted that in terms of purchasing power, the current request will buy about half of what the programs of the 1950's were able to deliver.

A second concern which has been expressed is the apparent shift toward military aid relative to economic programs. At first glance this seems true. Of the $15.1 billion request for all foreign assistance programs, $6.2 billion or 41 percent is slated for military programs. But these numbers are distorted by two very large country programs—Israel and Egypt—which have grown rapidly in the past few years in response to and in support of the Camp David Peace process. Because of the security problems each country faces, the President and Congress have agreed on a very large military assistance program for each, as well as sizable economic assistance programs.

If the economic and military programs for those two countries, or about one-third of the total foreign assistance request, is deducted from totals, we find that the military request amounts to only 31 percent of the total programs recommended for the rest of the world. This ratio is consistent with the total foreign assistance programs of previous administrations. During the Carter years, military assistance programs amounted to 33 percent of all foreign aid; during the first Nixon Administration the figure was 54 percent (reflecting the Vietnam period); during the Kennedy Administration military programs were 28 percent of all assistance; and during the second Eisenhower Administration the comparable figure was 42 percent.

Obviously there is nothing magical about a particular ratio of military to economic assistance, and each year's program must reflect the requirements for specific countries in given years. But by historical standards, the Administration's fiscal year 1984 request is by no means unusual if the particular needs of Israel and Egypt are taken into account. Let us turn then to the general and specific requirements for security assistance in fiscal 1984.

America finally abandoned the "fortress America" concept after the Second World War. It became clear that in an increasingly interdependent world with rapidly changing technologies, it was unrealistic to build a defense establishment geared to defending our beaches. Rather the United States must work with other friendly nations, hopefully to head off conflict before it starts. If that is not possible, we wish to help countries defend their own interest with the least direct involvement of U.S. forces possible. If we should have to become involved, it is important that we do so with the cooperation of friendly countries.

Our nation and the other members of the interdependent free world community must provide for themselves that basic essential security from external, as well as internal, threats to their individual basic social and economic structure. Basic survival of "the community" is essential prior to economic, cultural and sociological growth.

The Third World is most susceptible to instability which can be taken advantage of by others. This provides the chief justification for a security assistance program, and indeed, the whole foreign aid program. Thus, the aid program should not be viewed in isolation, but as an essential compliment to the overall United States defense effort. It is a program which reduces the probability that the United States Armed Forces will have to be used. If the situation arises where such force does need to be used, the security program will have helped lay the groundwork to assure that needed basing rights exist, and that the military establishment in the area affected will itself be able to help defend its own interests.

While the security assistance program is primarily justifiable in security terms, there are important economic factors which should be considered. First, insofar as military assistance helps equip and train the military establishments of friendly countries so that they can conduct their own defense, we reduce the possibility of directly engaging U.S. forces. In general, it is far cheaper to help the armed services of a country facing security problems than it is to try to replace them with our own armed forces.

Second, funds for goods and services financed by security assistance are almost entirely used to purchase U.S. goods and services. This is particularly true of the military assistance program. While I repeat, military assistance is primarily justified in security, not economic terms, it cannot be ignored that it has the same beneficial impact on exports as any other export promotion program. And many of their purchases are in the high technology areas in which our country must remain competitive.

In some cases there are additional economic benefits. When countries increase their purchases of U.S. military equipment, companies can increase their economies of scale. The unit cost of such equipment can, therefore, drop, thus benefitting both the foreign purchaser, and also the U.S. taxpayer if costs are reduced for similar purchases by the Pentagon. Military hardware tends to have a lengthy lifespan, and consequently purchases are generally followed by years of contracts for spare parts, servicing, and equipment improvement.

The bottom line is that the security assistance program is not simply a give away program sponsored by the United States for purely philantropic sponsored by the United States for purely philantropic reasons. It is a hardheaded investment in our own security, a cost effective way to avoid risking American lives and material, and a useful stimulous to our own economy.

If anything, our current program is too small. It has already been noted that, in relative terms, the program has been shrinking steadily for two and a half decades. In the current international economic climate a number of Third World countries are facing record low prices for their commodity exports, extremely high real interest rates, and a large debt burden accumulated during the immediate reaction to successive oil price shocks. It is not clear that these countries can or should increase their debt burden, even to meet critical defense needs. They would clearly be better off if increased concessional assistance could be made available to meet both important development and security needs.

Finally, it is useful to point out that ALESA's support for a security assistance program in no way should be interpreted as a lack of support for efforts to constrain worldwide or regional arms races. We support the Administration's efforts to bring about any decrease in expenditures on arms. But just as the United States cannot unilaterally disarm relative to the military strength of the Soviet Union, other countries cannot ignore their security requirements in the face of external and internal threats to their stability and national identity.

Having briefly reviewed the global requirements for the security program, let us turn to the particular regional and country components of the fiscal year 1984 program.

THE MIDDLE EAST

The essentiality to develop a basis for a credible defense posture for the Southwest Asia/Indian Ocean Region and in setting the stage for a possible peace treaty between Egypt and Israel is basic. Coupled with the foregoing is the opportunity for Lebanon to restore its internal security and achieve the removal of foreign occupation troops. In addition, the Soviet invasion and occupation of Afghanistan severely impacts on both the external and internal security of Pakistan. The cross border military violations and the inundation of thousands of refugees aggravates the security and economic stability problem. Pakistan is militarily vulnerable and is coveted by the Soviets for the former's ports on the Indian Ocean. The funding request for Pakistan is for the second step of the multi-year military modernization that evolved as a result of the Soviet occupation of Afghanistan.

As you are all aware, the Egyptian and Israeli assistance programs dominate the funds requested for this region. In fact, the programs for these two countries approximate one-half of the total security assistance programs.

Jordan is programmed for a modest amount of security assistance. This country is playing a pivotal role in the Administration's Middle East Peace Proposal.

Addressing the Lebanon supplemental, the Administration is seeking $251 million to help restore peace and stability in war-torn Lebanon. $150 million of the foregoing is for Economic Support Fund grants—a one shot program to assist in rebuilding the collapsed economic infrastructure. $100 million for FMS guaranteed loans that will assist in the phased program of reconstituting the Armed Forces of Lebanon. The balance of $1 million for IMET—to train the United States and Lebanon members of the reconstituted armed services in order that they can maintain internal security as a minimum.

The necessity for the United States Government to assist in this vital, but turbulent for centuries, region of the world is self evident.

SOUTHERN TIER OF EUROPE

The necessity to insure that those NATO allies, who find it economically difficult to fund their military share of the military structure, to maintain adequate military forces to assist in the defense of the Southern flank of NATO and to provide strategic important overseas bases is the rationale for military assistance to Portugal, Spain, Greece and Turkey. These overseas bases or military facilities enhance the ability of the United States to project its power to the Middle East, Northern Africa and Southwest Asia. This is essential to maintain the forward defense posture essential for our national security. The low level of economic activity in Turkey and the unfortunate status of the modernization and readiness of its armed forces impells that we assist this strategically important country.

EAST ASIA AND THE PACIFIC

Korea has been the cornerstone of the defense of Northeast Asia. The heavily armed North Korean military forces and its aggressive government have been deterred since the early 1950's by the capabilities of the Armed Forces of the Republic of Korea and the presence of U.S. Forces stationed in Korea and Japan. The bases made available by the government of the Philippines facilitates the movement, support, and projection of U.S. military forces in the Pacific Oceanic Arena. Indonesia and Malaysia sit aside critical lines of communications for the movement of commerce and the employment of forces in the Indian Ocean. The United States is committed to Thailand and the Philippine security by the Manila Pact. Thailand also is the outpost that is resisting, primarily from its own resources, the expansionist Vietnamese forces in neighboring Kampuchea. The retention of these countries, reasonably strong and independent, is essential to the relative peaceful stability of this area and the concomitant benefits that are derived in the interdependency on the very essential world trade that is essential to economic well being of our Nation.

AFRICA

The ability to have access to military facilities, to enhance our forward defense capabilities and to insure access to significant strategic minerals and other raw materials essential to the economic well being of the Free World, requires friendly or non-aligned States that can maintain their own internal security and resist aggressive intentions of unfriendly neighbors.

Morocco, Tunisia, Somolia and Kenya are particularly important for access agreements. Libya's adventurism, including its arms export practice and the sponsorship of external intervention create problems of many of its (LDC's) neighbors. Its adverse conduct impacts on the Sudan, Morocco, Chad, Egypt and Tunisia. As has been reported to you by other testimony, the Soviets have created a virtual arms depot in Libya whereby it conducts its destabilizing activities. The Polisario movement in Western Africa plagues the stability of a long time ally, Morocco. Most of the nations in Africa that emerged since the 1940's need all the stability from external forces they can attain. In addition, they need to be able to provide the ever essential internal security to assist in the economic and social growth essential for their respective body politic. Modest sums of Economic Support Funds and MAP funds are proposed by the Administration. We believe these funds are at the minimal levels to support our global obligations and our basic national interests.

THE WESTERN HEMISPHERE

The American States, our Southern neighbors who are oft-times neglected and maligned, face severe economic conditions, internal security problems, as well as the introduction of disabling influences from external sources. Funds to support the President's initiative for the Caribbean Basin is a first step to assist our neighbors to develop healthy economic and socially viable societies. The turmoil facing El Salvador and Honduras is horrendous. Recognizing the widely held views in this country of the actual facts of the conditions in these countries, and the disparte views presented for solution, we support the reasonable measures proposed by the Administration to assist each of these sovereign nations to resolve their problems.

INITIATIVES

The legislation submitted by the Administration requests several changes in the legislation for improving the conduct of security assistance. In summary form, I will tabulate a few of these items:

Clarify the definition of "costs" to be recovered by the United States in sales of defense articles or services.

Authorize funds collected for FMS administrative services purposes to be added to the funds appropriated for representational activities.

Elimination of the multi-tier structure on sales of training.

Increase the maximum criminal penalty for certain violations of the Arms Export Control Act.

Authorize the President to waive the requirements that a country pay to the U.S. Government the net proceeds from the sale of defense articles previously furnished on a grant basis under the MAP program.

Authorize the expansion of security assistance organizations.

Authorize reciprocal barter exchanges with foreign countries of training at professional military education institutions.

Authorize the President emergency authority, not to exceed $25 million in 1 year, to draw down commodities and services for peacekeeping purposes.

Authorize the President to furnish anti-terrorism law enforcement assistance to foreign countries.

Authorize a threshold of $50,000 on reprogramming notices to the Congress for International Narcotics Control and IMET programs.

In summary Mr. Chairman, we support the bill submitted to the Congress to authorize additional economic and security assistance to Lebanon for fiscal year 1983 and the bills to authorize appropriations for international development and security assistance programs for the fiscal years 1983 and 1984.

ALESA MEMBERSHIP

COMPANIES

Aerojet General Corp.
American Hoist and Derrick Co.
AM General Corp.
Avco Corp.
Beech Aircraft Corp.
The Boeing Co.
Ducommun Inc.
EDO Corp.
Elexco International, Inc.
Emerson Electric Co.
FMC Corp.
Frost and Sullivan, Inc.
Garrett Corp.
General Dynamics Corp.
Gould Inc.
Harsco Corp.
Hazeltine Corp.
Hughes Aircraft Co.
Hughes Helicopters
Lear Siegler, Inc.
Lockheed Corp.
Martin Marietta Aerospace
The Mead Corp.
Napco Industries, Inc.
Northrop Corp.
Pneumo Corp.
Raytheon Co.
Rockwell International
Rhor Industries, Inc.
The Singer Co.
Teledyne, Inc.
United Technologies Corp.
Vought Corp.
Westinghouse Electric Corp.

UNIONS

Communications Workers of America, AFL–CIO.

International Brotherhood of Teamsters, Chauffers, Warehousemen and Helpers.

International Union, United Automobile, Aerospace & Agricultural Implement Workers of America.

Marine Engineers' Beneficial Association, AFL–CIO.

United Brotherhood of Carpenters and Joiners of America, AFL–CIO.

SECURITY AND DEVELOPMENT ASSISTANCE

FRIDAY, FEBRUARY 25, 1983

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Charles H. Percy (chairman of the committee) presiding.

Present: Senators Percy, Mathias, Pressler, Pell, and Sarbanes.

The CHAIRMAN. This morning, the committee will hold the second in a series of hearings addressing the broad dimensions of U.S. security and development assistance. More detailed regional hearings have also been scheduled to follow up on this morning's testimony.

This morning, we welcome three officials responsible for administering different aspects of U.S. development assistance efforts. First, the committee will hear from Peter McPherson, Administrator of the Agency for International Development. Next, Loret Ruppe, Director of the Peace Corps; and Greg Newell, Assistant Secretary of State for International Organization Affairs, who will testify concerning their respective programs.

After hearing from administration officials, the committee will take testimony from a group of distinguished public witnesses.

These hearings take place at a time of great dilemma for U.S. foreign assistance efforts. On the one hand, the administration and the Congress are making great efforts to contain its direct budget deficits. Most Government programs face reductions; some face elimination; few will be increased, fewer still by enough to compensate for inflation.

Another side of this dilemma is that rarely in this century has the world been in greater economic peril from a multiple of causes. World recession, high interest rates, persistent inflation, massive debt, the population migrations have combined to create widespread turbulence and distress—as have, I might add, dramatically increasing oil prices over a period of the last 4 years—a trend which fortunately has been reversed in the last few days. But some of the distress and some of the huge deficits have been caused by a fourfold increase in oil prices in just a relatively few years.

Great strides in economic development in past decades must not blind us to the scope and severity of present hardships and hazards. Now more than ever this committee is mindful that we must assure the closest coordination of all our foreign aid programs so that the United States and foreign recipients get the greatest possible benefit from the limited funds available. We must also work

with the administration to be certain that funding for various foreign assistance programs accurately reflects the priorities of U.S. foreign, developmental, and security policies.

This committee is also acutely conscious of the economic problems in our own country. U.S. foreign assistance need not be detrimental to efforts to restore our own economic health. We know that some of our foreign assistance programs bring jobs and incomes to Americans. We also appreciate that our own economy cannot be healthy in a world of crippled economies.

Secretary Regan reminded this committee earlier this week that nearly one-fifth of U.S. jobs in manufacturing depend on continued U.S. exports. However, the extent to which Americans benefit in the near term from our assistance abroad can vary widely, depending on the terms and procedures used in these assistance efforts.

The committee will have a special interest in exploring with the administration how our system's programs can be improved to enhance U.S. exports and employment, consistent with our assistance objectives. It is my intention to assure that this year's foreign aid legislation contains specific provisions aimed at U.S. export promotion efforts. Certainly, that will help tremendously toward economic recovery in this country, and the economic recovery of this country will assist many, many other countries as well.

In addition to moving development programs in the direction of trade promotion, we must also encourage productive cooperation between private and public resources. We look forward to learning more about the private initiate for which the administration requests expanded funding.

In the latter part of today's session we welcome the views of distinguished private sector witnesses closely associated with these cooperative efforts. The committee has an extremely heavy agenda this session. Our time is, unfortunately, crowded. We hope our witnesses understand that there is less time today to hear views on this legislation than we would like. However, the committee record will be open to receive in full detail the views of our witnesses.

Mr. McPherson, the committee welcomes you and looks forward to your testimony.

Senator Pell, if you would care to make some opening comments.

Senator PELL. I join with the chairman in welcoming Peter McPherson once again to our committee. I think you know the regard and esteem we hold for you, and actually, this is in many ways part of an ongoing consultation between us and the AID Administrator over the past couple of years. I believe Mr. McPherson deserves a great deal of credit and praise for the bipartisan nature of these consultations. I look forward to continuing this process as the Advisory Commission on Foreign Assistance, on which Senator Percy and I will serve as ex officio members, is organized by Mr. McPherson and Secretary Shultz.

It is my fervent hope that this commission will undertake a rigorous analytical review of the amounts, modes, and purposes of our foreign assistance effort in order than we can better explain these programs to our constituencies back home.

Having seen the fate of previous ranking members and chairmen of this committee in the last few elections, this is not a good position from which to run, and we need some very practical sugges-

tions in that regard, particularly for programs of this sort. In my own home State of Rhode Island, the ever-increasing amounts of foreign aid requested by the President make less and less sense when you see unemployment at over 11 percent, where in a small State 7,000 manufacturing jobs were lost in the last year alone.

When our own people are hurting, it is difficult to explain the whys and wherefores of foreign aid to help other people who are also hurting. This Senator wants to be supportive, but we need your help, in words of one syllable or two syllables, in seeking to explain these programs to the public to show why it is in the self-interest of the unemployed or underemployed or textile worker in my State to support a program which is encouraging, for example, the manufacture of textiles in other countries. This is an extreme example but one that comes to mind.

I conclude here, too, by noting my continuing interest in the role of the private voluntary organizations in our AID program. Two years ago, the Congress adopted Chairman Percy's and my amendment that requires at least 12 percent to PVOs and targeted 16 percent of AID's programs to be channeled through PVOs. Although AID has exceeded the 12-percent minimum, it has not yet reached the 16-percent target. But we would hope that Mr. McPherson could address this issue in the course of the morning.

I also believe it is very important that we factor into the AID program environmental considerations, and this year I will be renewing several legislative initiatives in the environmental area, including an amendment to protect endangered species, and I am pleased that several witnesses will be testifying on these matters later on this morning.

The CHAIRMAN. Thank you very much, Senator Pell. Mr. McPherson, we are happy to hear from you this morning.

STATEMENT OF HON. M. PETER McPHERSON, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. McPHERSON. Thank you.

The CHAIRMAN. Let me commend you ahead of time on the conciseness and brevity of your testimony. Let it be an example to our other witnesses.

Mr. McPHERSON. Thank you, Mr. Chairman. I have a very lengthy prepared testimony which I would like to put in the record.

The CHAIRMAN. The full text will be inserted in the record without objection.

Mr. McPHERSON. I look forward to these opportunities to appear before this committee. You, Mr. Chairman, and Senator Pell, have been very helpful to me with numerous ideas, and I know that relationship will continue because it is truly one that has been most helpful to me and to our Agency.

Secretary Shultz in recent days, both here and in other places, has testified concerning the very serious international economic problems which we face. Particularly hard hit, of course, are some of the poorer countries. Our proposed budget helps at least in some ways to cushion the severity of those problems.

The cornerstone of our program is a continued emphasis upon people, the key development resource. We believe that human capi-

tal is the most important resource and, frequently, the scarcest, We see the development process as the emergence of institutions and skills that provide for the sustained satisfaction of the basic needs of people, including their right or need to participate in a free and open society.

When economic growth does not meet the basic needs of the poor majority, a critical element has been sidetracked. And, if basic needs are met but there is no opportunity for social and economic growth, the development process is still incomplete.

Over time, our efforts have changed from a primary focus on capital infrastructure and resource transfer to the emphasis upon technical assistance and sustained, broad-based development. We are making extensive use of our assistance in those areas where we have particular expertise, such as agriculture, population, and health. We are emphasizing institutional development, training, and the creation and transfer of appropriate technology as important methods of meeting the goals of our assistance.

The role of women in the development process is also of major significance, and we have taken steps to insure that our projects reflect this emphasis. I know, Mr. Chairman, that a long term and very important interest of yours is the role of women in development.

I might add here, Mr. Chairman, that women's development cannot be akin to an extra lobbying effort within our AID program, with a little money spliced on to projects here and there. It must be an integral part of the Agency's projects. For example, we have got to think, when we talk about agriculture credit, how to insure that women actually can get loans, and that the people who deal with farmers deal with the women farmers on an equal basis with all other farmers. We are trying to approach the whole women-in-development effort in such an integrated way.

The Agency is paying more attention to coordinating our program with those of other Government agencies, such as the Peace Corps. Although we have worked out a very good coordinating relationship with the Peace Corps, we are still very much separate agencies, reporting separately. We also try to complement our program with those of other donors, both bilateral and multilateral. I think AID has some comparative advantages and we try to utilize those to complement the programs of others.

Our proposed budget puts a greater stress on appropriate host country policies in the development process, and also emphasizes the development of indigenous private sectors and encourages the use of market forces to create those incentives which, in our judgment, are necessary for sustained development.

The budget also reflects priorities recommended by Congress, such as the development education program which this committee initiated, and crop and income substitution and projects designed to reduce illicit narcotics.

One mode of assistance which has been of concern, and which is included in the budget request, is the use of ESF funds for developmental purposes. I have worked hard within the context of the State Department/AID relationship, and I believe that what we are beginning to achieve is the steadily improved use of those ESF re-

sources for both specific projects and for a broader developmental impact.

Lebanon, of course, has been a matter of enormous interest to me of late. The supplemental funds being sought will focus on the priority sectors of water, sanitation, and health. Grants are also planned to experienced private voluntary agencies to help economically disadvantaged Lebanese obtain credit, job skills, health care, and better education. Other funds will be used to help small businesses.

In addition, a capital equipment fund will allow us to meet high priority reconstruction needs in the Lebanese public and private sectors. This is, of course, in addition to funding for a variety of urgent relief and reconstruction activities, including grants to UNICEF, the International Committee of the Red Cross, and the American University of Beirut.

Overall, our foreign assistance program furthers U.S. foreign policy objectives, including security, economic and humanitarian concerns. Our program also reflects the importance of the Third World to our domestic needs. For example, the developing countries are both important consumers of U.S. exports and suppliers of critical imports.

Mr. Chairman, it is nice to be here again today, and I welcome your questions.

[Mr. McPherson's prepared statement follows:]

TESTIMONY OF

M. PETER MCPHERSON,

ACTING DIRECTOR,

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AND

ADMINISTRATOR,

AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman, it is an honor to be here today to present our foreign economic assistance proposals for the coming fiscal year. I would like to take this opportunity to thank you for the leadership and support which you and the members of your Committee have given us in the past. I look forward to our continued cooperation in the future.

I think this is an appropriate point in time to consider the status of the foreign assistance program -- its history, its role in today's world, and what we should be doing in the future.

Third World Economic Situation

As Secretary Shultz has testified, we meet at a time when nations around the globe are beset by serious economic problems. Particularly hard hit have been the nations of the Third World. Developing countries as a group have faced severe difficulties in recent years as a result of the world's deep economic recession. Most developing countries have suffered significant reductions in their rate of growth. The average growth rate of the non-oil developing countries dropped from 5.3 percent in 1978 to about 1.5 percent last year. Coupled with continued rapid population increases, more than half of the lowest income countries had lower per capita real gross domestic product in 1982 than ten years ago.

During the last three years, non-oil developing countries have experienced record current account deficits -- totaling $97 billion last year. These deficits can be traced to several factors: the recent doubling of oil prices and sharp rise in interest rates, the decline in world trade as a result of the economic slowdown in the industrial countries, and the deteriorating terms of trade in the developing countries, particularly for those which export primary products. As a result, they have experienced a sharp contraction in export earnings and their foreign exchange receipts have been increasingly diverted from investment purposes to financing immediate import requirements such as food and oil, and to short-term debt servicing.

With respect to the debt picture, the OECD estimates that the average ratio of debt service payments to exports rose by 50 percent or more over the last six years. The International Monetary Fund estimates that total outstanding external debt of non-oil developing countries increased from $375 billion in 1980 to $505 billion in 1982. In 1981, 13 countries had to undergo debt rescheduling, and the situation worsened in 1982, as a number of major middle-income countries in Latin America and Eastern Europe began to have difficulties servicing their commercial debt. In response, commercial lenders tightened up their risk exposure in many developing countries.

The implications of this combination of trade and debt pressure are particularly serious for stability and longer-run economic progress in the low-income countries, countries important to the interests of the United States and our economy. With the beginnings of economic recovery, suggested

by recent reductions in interest rates and the possibility of declining oil prices, the economic picture for the developing nations may begin to improve. Our foreign assistance program can play an important role in their economic recovery just as our supporting their economic development is important to the economic, humanitarian, political, and security interests of the United States.

U.S. Interests in the Third World

In terms of our economic interests, it has become a well-recognized fact that the degree of interdependence between ourselves and the Third World has increased markedly in recent years. Trade with developing countries has become an important part of our economy. In short, every state in the union is involved in exporting to developing countries.

Let me cite some numbers. In 1981, our exports came to about $230 billion, of which exports to the developing world, including the oil exporters, totaled over $99 billion -- nearly 43 percent of the total. Just ten short years ago, these countries absorbed only $15 billion or 30 percent of our total trade in that year.

In recent years, the oil-importing developing countries have represented the fastest growing market for U.S. products -- our exports to these countries have been increasing at an average of 25 percent a year. The growth of U.S. exports has been particularly dynamic in those countries which have achieved rapid economic growth and have pursued policies which

promote economic efficiency and development, including outward-looking trade policies, such as Kenya and Brazil.

U.S. exports of manufactures have shown particularly strong growth. More than 80 percent of the manufacturing jobs created in the late 1970s were linked to exports and fully one-eighth of all U.S. jobs in manufacturing are now export related.

Exports of agricultural products are also very important. Total U.S. agricultural exports reached $43 billion in 1981 compared with less than $18 billion in 1973. It is estimated that the harvest of one out of every four farm acres in the United States is now shipped to the developing countries. Overall, exports to the developing countries have come to account for 20-25 percent of U.S. gross farm income.

In addition to generating income for workers directly involved in producing export goods, many more U.S. jobs are provided indirectly by associated exports of services, such as grain elevators, transportation, insurance, banking, management, technical assistance, and other service areas. Exports of services have been a major positive element in the U.S. balance of payments. As the developing countries have improved their economic performance, their capacity to buy our goods and services has increased -- and substantially so.

Besides providing a market for U.S. goods and services, the developing countries are a source of important, sometimes crucial imports. Over 44 percent of our imports currently are raw materials essential to the functioning of our economy, a

large proportion of which come from Third World nations. In particular, developing countries provide 75 percent of the total amount of tin, bauxite, zinc, and cobalt we require. Furthermore, imports of other goods stimulates cost-cutting technological change which increases our economic efficiency and helps to reduce inflationary pressures.

Not only are the developing countries becoming more important as trading partners, they have become major recipients of U.S. private capital flows as well. U.S. private bank lending to the non-OPEC developing countries has increased significantly, both in absolute amount and as a proportion of their total foreign loans. Whereas in 1970, only 8 percent of U.S. international lending went to these countries, by 1980 they were absorbing fully 47 percent of the total. And these external capital flows, by helping foster economic development, have facilitated the entry of these countries into the international commercial capital market to fulfill their capital needs.

In addition to the long-term contribution which our assistance programs make to the U.S. economy and trade through the promotion of development, the U.S. foreign assistance program directly promotes U.S. exports of goods and services. Of total spending for foreign assistance, about 70 percent is spent in this country, on purchases of U.S. goods and services, including agricultural commodities procured through the PL 480 Food for Peace program. Also, requirements for replacement

parts for aid-funded equipment and follow-on or complementary activities increase the potential for future demands for U.S. products. Technical assistance in the preparation and design of activities can further increase the potential of U.S. sales. Finally, aid activities can increase the general familiarity of developing country officials, contractors, and beneficiaries with U.S. products and companies.

Our contributions to the multilateral development institutions also have a positive impact on the U.S. economy. Total procurement of U.S. goods and services deriving from their operations exceeds the amount of budgetary outlays for our contributions to them.

Besides these economic benefits, development assistance addresses the traditional humanitarian concerns of the American people by promoting long-term, self-sustaining, equitable development which increases the developing countries' capacity to address the basic human needs of the poor majority in their countries. Through our programs, we contribute to the fight against hunger and disease throughout the world. We also help to raise the standard of living for a broad range of the world's population. The PL 480 program, for example, provides assistance to meet critical food needs, combat hunger and malnutrition, and increase resources for development. Our disaster assistance provides relief to help deal with natural and man-made catastrophes, including refugee problems. Also, foreign assistance promotes development in which traditional

American concern with individual civil and economic rights is respected and enhanced.

In terms of U.S. political and security concerns, recent events in the Middle East, the horn of Africa, Afghanistan, Central America, and the Caribbean have clearly demonstrated that conflicts, problems, and instability involving the developing countries have a very direct effect on our political and security interests. Often the policies and actions of an individual developing country or group of developing countries can have a significant impact on key regional and global disputes and issues of importance to the United States.

Widespread poverty, economic crisis and severe economic dislocation can create an environment that is susceptible to violence, political instability, and the possible intrusion of those who try to exploit instability to their own advantage. However, when people have a reasonable hope that living conditions will improve over time and actions are being taken to address the most pressing economic problems, they have a greater stake in the achievement of stability and peace. Our efforts in support of economic progress constitute a key element in helping to maintain stability in countries and regions important to U.S. interests. They also contribute to furthering peaceful change and the development of open, democratic institutions in friendly countries.

History of U.S. Foreign Assistance

Given the current economic situation and the importance of foreign assistance to this country, it is worth spending a few minutes retracing the various phases through which United States policy toward development assistance to foreign countries has moved since its inception. While this history is well known to many members of this Committee, Mr. Chairman, I believe it is useful to review it as a backdrop to our plans for the future.

Seen in perspective, these various phases of our foreign assistance program reflect a continuous adaptation to the evolution of thinking on the process of economic development. As our understanding of that process has deepened, each phase has revealed further hurdles to be overcome in the effort to help achieve rising standards of living for the bulk of the world's population. The interaction of old approaches with new concerns has helped to shape the thrust of our assistance from stage to stage and explains the shifting priorities of our program over time.

The present-day foreign aid program developed, of course, out of our initial successful experience with European and Japanese reconstruction following World War II. Our subsequent efforts, during the 1950s and 1960s, in attempting to replicate that success in the newly emerging nations of the Third World, focused on growth of the capital stock in the form of infrastructure and industrial development, combined with

improvements in human capital through education and training.

With this goal in mind, little attention was paid initially either to the important role which agriculture should play in the development process, or to the employment implications of capital-intensive industrialization, or even to the importance of trade as a means of securing benefits based on each country's comparative advantage in production.

Toward the mid-1960s it became increasingly clear, though, that population pressures were eroding a large proportion of the gains in income which had been achieved by many countries. Furthermore, grave doubts arose with respect to the distribution of these income gains. Equity considerations came to be recognized as important factors in the development process. It became evident that the political, social, and economic structure which had evolved in many less developed countries had produced little improvement in economic well-being for the poor of these countries. To help correct this situation, a new concern with the effect of our assistance on the poor majority emerged a decade ago, in the form of the current New Directions legislation.

Response to this concern has taken several forms. Development projects began to be designed to encourage local participation. Involvement and commitment of key population groups to shaping their own future came to be seen as essential to broad-based and self-sustaining development. The new attention to participatory development also has implied a basic

shift in euphasis from industrialization to agriculture as a primary focus, since the bulk of the population in the developing countries lives in rural areas. A further response has been increased attention to allocating assistance directly to specific sectors and groups. As a result, we are now structuring the aid program so that we are focusing our efforts on those areas in which the United States has particular expertise -- institutional and human resource development, appropriate technology transfer, and mobilization of private sector resourcefulness in support of national development goals. I will go into this in more detail later.

In addition to this evolution in our own program, over time the United States has been highly successful in achieving increased sharing of the foreign assistance burden by other countries and institutions. Worldwide official development assistance (ODA) grew by over 40 percent between 1970 and 1981. As other donors have been involved in the development effort, the U.S. share of official bilateral development assistance flows (excluding contributions from Eastern European countries) has dropped. In 1960 we provided 60 percent of ODA, by 1981 our share was down to 17 percent. Also, in just the last decade, assistance from multilateral institutions almost tripled in real terms. And the OPEC countries, led by Saudi Arabia, have increased their share of official assistance to other developing countries from 5 percent in 1970 to 22 percent in 1981.

Also, as Third World nations have developed, they have become increasingly able to generate their own resources for development. As a result, between 1960 and 1980, we have seen the proportion of official development assistance from the OECD countries decline relative to the developing countries' gross investment expenditures (excluding capital-surplus countries) from 10 percent to 5 percent and the U.S. share has decreased correspondingly from about 6 percent to just over 1 percent.

Foreign economic assistance is a very small -- and shrinking -- part of the total federal budget. The combined contributions to A.I.D., the Economic Support Fund, Food for Peace, UN programs, and the Multilateral Development Banks represent only one cent out of every federal budget dollar and less than 0.3 percent of our gross national product. By comparison, during the 1950s, economic assistance represented an average three cents out of every federal budget dollar and over 0.6 percent of gross national product .

Results of the Foreign Assistance Program

What has this foreign assistance investment brought the developing countries? While they currently face serious financial problems, from a longer term perspective there has been dramatic improvement in many aspects of their economic and human condition. Although progress in many cases may not have been as rapid as we might wish, there is no denying that advances have occurred in the standard of living of much of the world's population. Throughout much of the developing world,

population growth rates have leveled off. Average life expectancy has increased as advances in health care have become more widespread and nutrition has improved. Mortality rates of children under five years of age have been more than cut in half since 1960. And average school enrollment and adult literacy rates registered important increases for most countries.

Technological advances in agriculture, including the development of high yielding crops, and increased availability of energy -- at least until the early 1970s -- set the stage for relatively rapid growth for the developing countries during the 1960s and early 1970s. Overall rates of growth for non-oil countries averaged more than 5 percent annually, with middle-income countries showing even better performance.

As a result of these improvements, we now have a situation where some of the countries which we have assisted over the years are able to compete in their own right on the world market. Korea and Brazil are two such examples. And we see the emergence of middle-income countries, which by all economic and social indices, are no longer under-developed.

By and large, the countries which have shown the most rapid advances, are those which have used their resources wisely and have promoted their development through appropriate and consistent, generally outward-oriented, economic policies. The so-called newly industrializing countries have living standards and levels of development comparable to what some OECD

countries had a short time ago, although pockets of severe poverty still persist in some. Their needs for concessional assistance are minimal.

The low-income countries are those which suffer from the worst human, social, and economic manifestations of under-development, and there exist wide differences in the basic human needs situation of individual countries. Most of the countries of Africa and the Indian subcontinent fall in this low-income category. These countries have inadequate human, physical, and institutional infrastructure and are often highly vulnerable to the vagaries of climate and international markets. These problems have frequently been compounded by economic policies which created distortions and reduced growth. It is this latter group of countries at which our current development efforts are principally aimed.

Current Development Picture

A basic lesson learned from our experience with economic assistance over the past decades is that development is truly a long-term process. The task of improving conditions for the millions of people living in absolute poverty in the developing countries is tremendous, and achieving desirable changes takes time. In spite of the advances which have been made, there still are serious development problems in many countries. Though food production in the developing countries as a whole has risen, on a per capita basis it has just barely stayed ahead of expanding population and, in the low-income countries,

has declined during the last decade. Population growth, though leveling off, is still high. At the present 2.1 percent annual rate of increase, the population of the developing world will double in 33 years. Despite recent health improvements, in much of the Third World life expectancy still does not exceed 50 years, one-third of infants die before the age of 5, and hundreds of millions of adults suffer from chronic, debilitating illness. Despite past gains in literacy, more than half of the adults in the developing world remain illiterate. Besides lack of capital, ability to address these problems is hindered by such constraints as lack of infrastructure, including poor transport and communications, inadequate management and institutional capacity to plan and direct sound development programs, lack of a skilled workforce and of the means to acquire and adapt technology, and policies which inhibit the most efficient use of available resources.

Given the severity of these problems, presently compounded by the effects of the worldwide recession, it is therefore imperative that the international community provide the help which will permit these countries to continue to address their fundamental long-term economic problems and lay the basis for more dynamic long-term growth. Without such assistance, there is danger that countries will be forced to make drastic cuts in their long-term development programs as they endeavor to undertake the structural adjustments in their economies necessary to reestablish a sustainable economic position. Such

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a curtailment of the development effort could have serious negative long-term consequences neither the developing countries nor we can afford.

Future of the Foreign Assistance Program

What role our foreign assistance program should play in the recovery effort, both in the near term and beyond? In looking to the future, it is instructive to consider the lessons of the past. I believe there are some fundamental tenets which can guide us in shaping the future of our foreign assistance program to be derived from history.

As noted earlier, the situation in the developing countries has evolved considerably over the last two decades. Changes in the development situation and in the role of foreign aid as a catalyst to the development process have been paralleled by an evolution in our thinking with respect to three key questions: First, what is development? Second, how is it best achieved? Third, how can A.I.D. best contribute to the development process? At the cornerstone of our response to these questions, is our continued commitment to a basic needs approach to development. This orientation is more widely shared in the international community today than it was a decade ago when Congress initiated the New Directions legislation. However, even if accepted in principle, the political will to translate commitment into policies, investments, and budgets is often lacking.

We hold the dignity of the individual, with maximum freedom of choice and freedom of action, to be important goals of the development process. We see the process as the emergence of systems which provide for the sustained satisfaction of the basic needs of its people, including their need to participate in a free and open society. If there is economic growth, but the basic needs of the poor majority remain unmet, development has been by-passed and the ultimate goal will not be achieved. If basic needs are met, but there is not opportunity for social, economic, or spiritual growth, then the investment process is still incomplete. Both social and economic needs -- basic human needs and economic betterment -- are important complements in the overall development process.

Secondly, there are wide differences in the extent to which nations at similar levels of per capita income have made progress in dealing with the basic problems of hunger, infant mortality, disease and illiteracy. We now know that substantial progress in satisfying basic needs can be made without waiting for aggregate income to double or triple. We endorse and seek to promote development patterns which are efficient in translating overall growth into the widespread satisfaction of basic needs.

Finally, we recognize that by investing in people, in their health, education and capacity to adopt new technologies, we are investing in a key development resource. Satisfying basic needs is not just an end. It is also a means to further

development.

Within this commitment, we have identified several tenets which should guide our assistance.

First is a recognition that technical assistance, rather than resource transfers, is by and large the best way to foster self-sustaining development, particularly given our overall budget constraints.

Second, our assistance should be focused in those areas where the United States has recognized expertise -- such as the sharing of our superb technological capacity in agriculture.

Third, in identifying technology for transfer, and in setting our research priorities, we must carefully consider conditions in recipient countries, so as to provide scientific and technological help appropriate to their needs and which will lead to the creation of self-sustaining development institutions.

Fourth, we need to maintain flexibility in our program to permit us to take advantage of promising, innovative ways of providing assistance and to allow us to adapt to changing conditions in the Third World.

Fifth, we need to pay much more attention than we once did to the central importance of host country policies in determining the outcome of development efforts and we must program our resources accordingly.

Sixth, we need to pay close attention to the planning and management of our program -- to ensure the policies we

establish are implemented -- so that we are in fact maximizing the impact of the resources available to us.

Finally, we need to bear in mind that our limited resources will not permit us to do the job alone and that we thus need to exercise our leadership to mobilize and help direct the far greater resources available from the private sector, as well as from other donors and institutions, on behalf of development.

While we cannot ignore the short-term crises in which many developing countries currently find themselves, the principal focus of our economic assistance will remain the basic, long-term issue of development. Certainly the fundamental development problems of the Third World will persist even as global recovery gets under way. The developing countries will continue to require external support as they strive to reach the goal of self-sustaining development. Thus, our assistance must continue to address the basic, long-term challenge of development: to foster indigenous, self-sustaining productivity aimed at alleviating poverty and meeting the basic human needs of the Third World's poor. Our assistance will continue to concentrate in the functional areas in which we have been successful with in the past.

In our leadership role, we must help set the climate necessary for sustainable, broadly based development to take place -- in those societies which demonstrate a readiness to assume the responsibility for their own future. Obviously, though, it is neither possible nor desirable for this country

to be all things to all people. The development needs of the Third World far outweigh the resources available from us and our fellow donors. Our foreign assistance resources are constrained by the same economic conditions which have dictated the limit on the overall level of federal spending. As a result it is essential for us to carefully allocate, and leverage, our limited foreign assistance resources in order to make best use of what we have available.

I believe our proposed program does just that. First, we have come to recognize the vital role that host country policies play in the success or failure of development. Governmental policies, be they in the area of interest rates, exchange rates, budget allocation, farm prices or consumer subsidies, are of enormous importance to the development effort. The absence of a sound policy environment can undermine the usefulness of individual projects and negate long-term growth objectives. Accordingly, we are giving particular attention to allocating our aid dollars so as to encourage recipient countries to change those policies which hold back development by inhibiting the operation of free markets, discouraging private investment, limiting resource mobilization and productivity, inefficiently allocating public and private resources, and excluding access by the poor to productive resources and employment. Second, we recognize the absolute importance of coordinating our various economic assistance programs. Thus, we are devoting considerable effort

to integrating both the objectives and the allocations of our various aid programs through full consultation with the Department of State and the other foreign assistance agencies.

We have set definite priorities in our budget allocations. For example, we have given high priority to countries which demonstrate commitment to their own development. We have focused our efforts on activities in those areas I mentioned earlier where the United States has a comparative advantage -- agricultural research, voluntary family planning, institutional development, and science and technology. Our comparative advantage does not rest in large capital transfers. Instead, we are now concentrating on activities which address host country constraints to self-sustaining development such as weak human and institutional capacity, and the lack of new, appropriate technologies. We are allocating our resources to develop lasting institutions systems to carry out the development process. By developing institutions, be they in primary health care or agricultural research, we can leave in place structures that will have ramifications far beyond the individual project level. And we have begun to emphasize the development and transfer of knowledge and appropriate technologies rather than capital.

We also are paying greater attention to efforts to mobilize other resources -- in the private sector, both from private enterprise and from the non-profit organizations such as PVOs and universities, and that of other donors, both bilateral and

multilateral -- and we strive to ensure the complementarity of our assistance with that of these other sources of development resources. Also with respect to mobilizing the private sector, we seek to emphasize the involvement of the indigenous private sector as a development resource. Too often in the past there was a tendency to rely on government as the only way to carry out key development functions and thus a tendency to neglect the useful role that the private sector can play in advancing our efforts.

These four priorities, policy reform, involvement of the private sector, institutional development, and transfer of science and technology, have become known within the agency as the "Four Pillars" of our development effort. It is through these Four Pillars that we can achieve the kind of foreign assistance program envisioned by the President -- one which seeks to foster self-sustaining development by using initiative and creativity to help people help themselves while at the same time stimulating international trade and aiding the truly needy.It is a program which fosters the political atmosphere in host countries wherein practical solutions can be applied to social and economic problems.

Program Coordination

Besides having set some basic policies in place to guide our program, we also are trying to improve the coordination and implementation of the program. I want to stress that our new initiatives guide our program within the context of a

continuing commitment to the basic needs orientation. In focusing on the host country policy environment, for example, we looking at the impact these policies have on the satisfaction of basic needs. Similarly with respect to our emphasis on the utilization of private enterprise and market forces, we are interested in the private sector as an instrument in breaking the cycle of poverty.

Recently, we have intensified our efforts to bring greater coherence and focus to A.I.D. activities. As you know, for several years, the Agency has had in place a country strategy programming system, according to which each country mission developed an independent strategy for best tackling the problems in that particular country. This country-by-country focus will continue. Recently, though, we have come to the conclusion that there may be significant value in giving greater coherence to our efforts and in concentrating bilateral assistance on a limited set of common development problems. This, of course, does not mean that we would be doing the same things in all countries. However, we have now instituted an agency strategic planning process which is essentially a search for greater agency focus. At the core of this process are the following questions. "What are the key development problems on which A.I.D. should concentrate?" "What are our goals with respect to these problems?" "How can we best use our budget resources to achieve results?"

It is still much too early in this process to say where we will come out. However, we expect it will help us to think in terms of specific measures of progress. It will help place our effort within the larger context of the efforts of the host country and other donors to make progress against selected problems. It should encourage us to think in terms of programming in a comprehensive manner against key problems, rather than in an isolated, project-by-project manner. And it ought to lead us to search for ways of better focusing our budget resources so that thay can serve as encouragement to host countries to engage with us in comprehensive policy and investment decisions directed to meet basic needs. I do not believe, though, that this new process will result in any fundamental shift away from the functional areas we are now successfully engaged in. It is rather to allow us to better focus and coordinate our existing efforts in these functional areas. As we engage in this process, we are asking ourselves, "How can A.I.D. have a positive influence on the development process and make a difference from what would have happened anyway?" We recognize that not all countries share our approach to development, nor are many prepared to take the difficult budget and policy steps required to tackle these problems. Our objective, though, is to be in a position to encourage this way of thinking about development, to mobilize resources in the international community, and to provide significant support to those nations that are committed to dealing with key problems.

FY 1984 Program

With this background, I would like to discuss the main points of our proposals for the next fiscal year and mention some interesting new activities which we will be getting into.

We are proposing an economic assistance program of $7.8 billion. It is only 2.2 percent more than our requirements for the current fiscal year, representing no increase in real terms.

In addition to our requests for FY 1983 security assistance supplementals we believe are necessary for high priority U.S. foreign policy objectives, our FY 1984 request for bilateral assistance consists of $1.890 billion for Development Assistance, $2.949 billion for the Economic Support Fund, $22 million for the Trade and Development Program, and $1.052 billion in budget authority for the PL 480 Food for Peace program.

Development Assistance.

The Development Assistance request includes $1.342 billion for the five Functional accounts, $103 million for the Sahel Development Program, $7.5 million for the support of American Schools and Hospitals Abroad, $25 million for the International Disaster Assistance program, and $378.5 million for A.I.D. Operating Expenses. In addition, an appropriation of $33.9 million is required for the Foreign Service Retirement Fund, for which an authorization is already in place.

More than three fourths of the funds allocated directly to countries in the Functional Development Assistance accounts are directed to "low-income" countries, those with a per capita income below $795. Let me discuss briefly the proposed program in each of these accounts.

Agriculture, Rural Development and Nutrition. Our Agriculture, Rural Development and Nutrition program has three principal objectives -- to help increase and sustain the productivity and incomes of small farmers, to assist in creation of employment opportunities for the rural poor, and to help improve access to, and use of, food. Our program stresses the removal of policies inhibiting broadly-based growth, the development of private and public sector capacity to foster increased ag production and employment expansion, the development and use of improved agricultural technologies, and the improvement of human resources, rural infrastructure and the natural resource base in recipient countries. A total of $725.2 million is proposed for the Agriculture account. About 21 percent of this would go to Africa, where population growth continues to outstrip food production.

Agricultural Research. An area of great promise within this account is that of agricultural research. As President Reagan said at the World Affairs Council meeting, "Increasing food production in developing countries is critically important -- for some, literally a matter of life and death. It is also an indispensable basis for overall development. The United

States has always made food and agriculture an important emphasis of its economic assistance programs. We have provided massive amounts of food to fight starvation, but we have also undertaken successful agricultural research, welcomed thousands of foreign students for instruction and training at our finest institutes, and helped make discoveries of the high-yielding varieties of the Green Revolution available throughout the world".

Particularly vital to the establishment of self-reliant, sustainable food and agricultural systems are national institutions that give a country the capacity to generate and apply a continuing stream of innovations designed to increase agricultural productivity and incomes; and to evaluate and adapt technologies transferred from developed countries and international institutions. Advances in food and agricultural science and technology have not only increased productivity but have also facilitated the substitution of less expensive and more abundant resources for more expensive and increasingly scarce resources.

A.I.D. supports this research, often working through the Title XII Land-Grant Institutions, through creation and strengthening of research institutions. We are giving attention to adapting existing research results and to promoting the use of improved technologies. We are giving special attention to encouraging linkages among researchers, extension agents, and farmers. And we are encouraging

development of systems that optimize sustained resource use, including the capabilities of farmers on small holdings.

We have recently undertaken a thorough review of our agricultural research needs and I am happy to tell you of several innovative directions we will be undertaking over the next several years. We will be getting into research on farm systems for fragile environments, and for remote areas, which use a minimum of purchased inputs, research on better crop and animal protection including integrated pest management, on livestock as part of mixed farming systems, on the evaluation of the impacts of food and agricultural policies on food security, nutrition, production incentives, and the very poor, and on the factors necessary for successful dissemination of research results

Population. The A.I.D. Population program addresses the critical problem of excessive population growth in the Third World, which constitutes the primary obstacle to increasing per capita food production, reducing malnutrition and chronic disease, and conserving dwindling non-renewable resources. A.I.D.'s population program emphasizes the provision of voluntary family planning services and information, but our overall development program recognizes the links between family planning and progress in the areas of agriculture, rural development, health, and education programs. Our program is based on the principles of voluntarism and informed choice. We give preference in our funding to programs that provide a wide

range of choices of methods -- excluding abortion -- and strongly encourage the inclusion of information and services related to natural family planning methods wherever this is appropriate. We also believe that the U.S. has the responsibility to help strengthen the institutional capacity of developing countries to deliver basic services and implement development programs themselves, using local infrastructures and the private sector to the maximum extent possible. For this reason, we are investing heavily in the training of service providers and personnel who manage service programs.

A level of $212.2 million is requested for the Population program. Well over 80 percent of the funds are for voluntary family planning services and related activities in country programs.

Health. For A.I.D.'s Health account we have proposed a program totaling $100.7 million for FY 1984. While this represents a decrease from the level in the current year, it in no way reflects any reduction in our commitment to providing assistance in the health area. Real improvements in health status are a necessary condition for sustained economic development. The reduction in health funding for FY 1984 is the result of several short-term factors unrelated to our long-term commitment to this area. First, as a result of our recently completed analysis of health programs -- which culminated in a new health policy paper -- our health program will give greater emphasis to selective primary health care.

This new emphasis will tend to be less costly, on a project-by-project basis than previous health activities, such as commodities and construction, and will permit us, in the long run, to do more with our available resources. Second, our FY 1984 requirements reflect the fact that we were able to do some accelerated programming which would otherwise have had to await FY 1984 funding. Third, we anticipated, and indeed are seeing, a short hiatus in requirements for health funding while our field missions identify and develop projects consistent with the new health policy.

In fact, we are already working to develop promising new health programs in several areas, including the following.

Biomedical research. The U.S. development assistance program will continue to give great attention to biomedical research leading to the development and application of new technologies to alleviate the most pressing health problems in the developing world. This will include support for basic research, such as that done on malaria, in which, by the way, a major breakthrough was made this past year that puts us one step closer to an anti-malarial vaccine. And it include support for research aimed at the application of new technologies, including rapid diagnosis of diseases and field testing of new vaccines.

Oral Rehydration Therapy. Another exciting new area in health is that of Oral Rehydration Therapy -- ORT. Diarrheal disease currently kills an estimated 5 million infants and

young children each year. It is the largest single cause of death among children in the developing world. Yet ORT, a simple home treatment for diarrhea, could save the lives of up to 13,000 children every day. It can be administered effectively at home by mothers, is nothing more than repeatedly feeding a dehydrated child a mixture of salt, sugar and water. ORT is the preferred therapy in all but the most severe cases of diarrhea and dehydration. It has been hailed as potentially the most signficant medical breakthrough of the century.

We have supported ORT research, largely through funding the International Center for Diarrheal Disease Research in Bangladesh, where much of the basic research on ORT was conducted. In FY 1984, we hope to expand our support for ORT research to include the Diarrheal Disease Research program sponsored by the World Health Organization.

A.I.D. also has been instrumental in the dissemination of ORT. One A.I.D.-funded ORT program in Egypt demonstrated that widespread use of this therapy could reduce deaths among children under the age of 6 by 40 to 50 percent.

We plan to include ORT as a critical element of our primary health care programs. We intend to provide resources for dissemination of ORT through numerous bilateral health programs, and through a centrally-funded project aimed at rapid implementation of selected, effective health measures. We also are planning a major international conference in June, 1983 to call the attention of international donors and developing

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country leaders to this important health breakthrough.

I believe that these and other new activities in health should lead to additional, higher priority health programs for future funding. Thus I expect that the decrease in FY 1984 requirements for the health account will be seen as a temporary phenomenon. I am certain that it does not in any way reflect a weakening of our historically strong support for health programs in developing countries.

Of the amount we are requesting, about 30 percent would go to Africa, reflecting the continuing need in those countries for basic health services, rural water and sanitation programs, and immunization campaigns to combat diseases which are a major cause of death and disability in region. In Asia and Latin America, where health care programs are well under way, our focus is on helping expand access to basic health services. We also plan to give increased attention to health planning and management, to operations research, and to the transfer of proven health technologies.

Education and Human Resources. In the Education program, we have proposed a modest increase for FY 1984. The education situation in developing countries remains critical despite significant increases in budgetary allocations by the developing countries themselves and significant gains in school enrollment over the past several decades. More than 30 percent of school-age children in the Third World do not enter primary school and less than half of those who do will stay long enough

to complete their primary education. Most countries still confront severe shortages of trained manpower, particularly those needed to administer their own development programs effectively.

The education problems of tne Third World far exceed our capacity to assist. Thus we have given priority to activities in selected areas where we have recognized expertise, such as manpower development and training, management capacities of educational institutions, improvement and expansion of basic primary education, vocational and technical training, and support for labor organizations. Our FY 1984 request for Education is $121.5 million. We would allocate about 30 percent to Latin America, principally for manpower development activities and for continued efforts to help reduce high primary school dropout rates. Another 30 percent would go to Africa, to help reduce the acute shortage of trained administrators which constitutes a major obstacle to development.

Reimbursable training. I might mention, too, that as a promising new part of our overall effort to assist the educational needs of selected countries, we are exploring expansion of the reimbursable program, funded by our Trust Fund account, through which we have helped countries such as Nigeria gain access to institutions of higher education in this country for advanced training of their citizens.

Energy, Private Voluntary Organizations and Selected Development Activities. In the section 106 account, we have proposed an increase to fund several very high-priority activities aimed at a broad range of Third World development problems. These include growing demands for energy, mounting environment and natural resources problems such as loss of agricultural land and water pollution, growing unemployment, and problems associated with migration to the cities and rapid urban growth. Our FY 1984 authorization request for section 106 is $182.4 million, which includes $10 million for Science and Technology activities also authorized under this account. Planned activities place a high priority on mobilizing private sector involvement, including greater reliance on Private and Voluntary Organizations -- PVOs. Including all development accounts, our funding for PVOs will exceed 13 percent of our development assistance program in FY 1984. In addition, PL 480 Title II voluntary agency programs will amount to $650 million.

Private Sector Revolving Fund. We also plan to support increased involvement of private enterprises in development. As part of that effort, we are proposing the creation of a new Private Sector Revolving Fund through which we would provide funds to help promote and expand private enterprises, particularly small and medium enterprises, develop and transfer of appropriate technology to private enterprises in developing countries, and develop and adapt techniques and financial intermediaries that foster private enterprise development.

We would see this Fund as a catalyst through which we would provide resources for innovative activities in pursuit of our basic human needs goals not possible under current funding arrangements.

Science and Technology. For the $10 million requested for Programs of scientific and technological cooperation, authorized as I indicated under section 106, we plan to continue our emphasis on small competitive grants to stimulate innovative research approaches to development and to build indigenous scientific and technological capacity in recipient countries.

Sahel Development Program. In the Sahel program, we will be funding the seventh year of U.S. support for the ongoing multinational effort to assist development among these very low-income drought ravaged countries, particularly to help them achieve greater food self-sufficiency. Our request for FY 1984 is $103 million, including resumption of a program in Chad.

I am well aware, in making this request, that there have been a number of questions from the Congress on problems with financial management in the region. We have taken several steps to address these problems. Our primary area of emphasis has been host country accounting practices. Our staff has reviewed 182 accounting systems over the past year. Where deficiencies were encountered, either they have been corrected or the activities were suspended or terminated. We also have trained a large number of host country accountants and managers

to maintain accounting systems acceptable to us and to improve their management of projects. And we have taken steps to upgrade the skills of our own people in project monitoring and management to ensure that our mission staffs have a thorough understanding of their responsibilities for ensuring the proper use of A.I.D. funds. As a result of these efforts over the past year, I am convinced that the situation is much improved and that the actions we have initiated will ensure significant improvement in the management and accountability of A.I.D. funds.

American Schools and Hospitals Abroad (ASHA). The ASHA program will permit assistance to schools and hospitals sponsored by private U.S. non-profit organizations which serve as demonstration centers for American ideas and practices in education and medicine. We plan to give priority to institutions in developing countries that offer the greatest potential for developing human resources, furthering the transfer of technology, and maintaining and improving their own financial well-being. We consider this a valuable program and recognize that Congress also feels it is important, but budgetary constraints and past practice have forced us to hold our proposal to $7.5 million.

International Disaster Assistance. The Disaster Assistance program, for which we have requested $25 million for FY 1984, provides for emergency assistance to countries struck by

natural disasters and manmade catastrophes, and assistance in disaster prediction and preparedness.

Operating Expenses. For A.I.D. Operating Expenses, we have requested a total of $378.5 million. These funds provide for costs of managing A.I.D.'s bilateral assistance program. They cover the salaries and operating costs of A.I.D./W headquarters and overseas operations. The proposed increase is necessitated by rapidly rising costs overseas as well as the effect of having had to defer some expenditures in the current year as a result of substantial reductions from our requested FY 1983 funding level.

In addition to these specific requests within our development assistance program, I would like to mention two priorities which transcend the individual accounts. One is that of narcotics reduction. Income substitution activities are a major component of U.S. efforts to reduce illicit narcotics and remain one of A.I.D.'s important objectives. We currently have projects in Peru, Thailand and Pakistan that, in part, respond to the Gilman amendment. Additional programs are being devised for Pakistan and Bolivia. We will continue to take advantage of targets of opportunity, but we must be mindful that our ability to achieve our narcotics reduction objective is in the hands of the host government. Without a strong commitment to enforce existing bans, there is little we can do. I can assure this committee that we will continue to discuss this subject at the highest levels as part of our

policy dialogue initiative. We will continue to work with host governments and design and implement projects that address development needs in order to facilitate host government enforcement.

A second important priority of our overall program is that of women in development. The Agency has, for the first time since the establishment of the WID Office in 1974, a formal policy paper which spells out how the concerns of women in the developing countries are to be integrated into A.I.D.'s program. A primary objective of our women in development policy is that it is critical now for A.I.D. to move beyond its initial activities and take an active role and provide leadership in ensuring that women have access to opportunities and the benefits of economic development. Also clearly emphasized in A.I.D.'s new policy is the fact that, while the Office of Women in Development and mission WID Officers will continue to support the Agency's personnel in their efforts to implement women in development activities, the overall responsibility for implementation of this policy rests with all A.I.D. offices and bureaus and in all A.I.D. programs and projects.

In this regard, a new emphasis is underway within A.I.D. to focus on women without isolating them from the mainstream of development. The Agency has begun to move away from doing women-specific projects. Experience has shown that a more effective strategy is to plan integrated projects which includes the role of women in the initial project design to

assure balanced economic development. Currently the Agency is giving priority to four kinds of women in development activities -- those which recognize the crucial role of rural women in agricultural development and target interventions to their needs; those which train women in practical income-generating skills; those which assess women's needs for technological innovations and encourage adoption of appropriate technologies; and those which strengthen indigenous organizations and groups to enable them to initiate and undertake activities which encourage women to become full partners in development.

Economic Support Fund (ESF).

Our FY 1984 budget request for the Economic Support Fund -- ESF -- totals $2.949 billion. We are also requesting a supplemental appropriation of $294.5 million for the current fiscal year to meet pressing needs for assistance in Lebanon and elsewhere. The ESF program provides economic assistance to help sustain economic and political stability in countries and regions of strategic importance to United States foreign policy objectives.

ESF also supports our development goals in many countries. Peace in the Middle East continues to have the highest priority in the allocation of ESF, with the result that slightly more than one-half of the ESF program, just under $1.6 billion, continues to be allocated to countries in that troubled region. Most of this amount goes to Egypt and Israel, to

maintain balance of payments stability, finance essential imports, and in the case of Egypt, to finance development projects which are increasing production, employment, and improving infrastructure and basic services for a wide-spectrum of the Egyptian populace.

ESF is a very flexible form of economic assistance. It can be particularly effective, during the current world-wide recession, in helping developing countries critical to U.S. foreign policy interest which are confronted with severe balance of payments problems and stagnating growth rates. We must remember that economic stability and growth are mutually reinforcing. ESF can provide essential resources for stability and serve to underpin U.S. development assistance efforts and long-term growth.

Whereas the ESF requirements for Egypt and Israel have remained fairly constant, the need for significant amounts of economic assistance to counter the effects of the current economic crisis have greatly increased in a number of strategically important developing countries in Africa, Latin America and the Caribbean, and Asia.

Of particular concern to you, Mr. Chairman, is our supplemental request for Lebanon. I was here before you last summer to testify on our need for emergency disaster assistance funds to handle urgent relief and rehabilitation requirements. Of the $50 million you voted for this purpose in September, we have obligated or firmly earmarked some $41 million, for a

variety of relief and reconstruction activities, including grants to UNICEF, the International Committee of the Red Cross, American University of Beirut, Beirut University College, and International College, and most recently to the Lebanese Government for emergency housing repair and for fixing up the telecommunications system. We expect over the next several weeks to obligate almost all of the remaining $9 million which will go for restoring sewer systems, solid waste collection in the Beirut area, and for non-shelter needs of Palestinian refugees.

The advice of this committee was particularly helpful last summer and it is in the same spirit that I request your consideration of our supplemental for Lebanon. The United States plans to devote its aid resources, as part of a World Bank-led multilateral effort, to repair and rebuild vital public services in priority sectors such as water and sanitation, health, telecommunications, electric power, transportation, and construction equipment. Restoration of these services is crucial for the private sector to flourish.

Close to half the additional funds we are requesting, $69 million, will be used to set up a Capital Equipment Fund to allow us to meet high priority reconstruction needs in the public and private sectors. The Fund enables the United States to provide quick-disbursing, easy to absorb assistance, by financing equipment in which U.S. suppliers have a competitive advantage.

Most of the remaining funds will be focused on the priority sectors of water and sanitation ($32 million), health ($11 million), and telecommunications ($15 million). Here, too, all equipment and services will come from the United States. Funds will be used to maximize possibilities for engaging U.S. Export-Import Bank and commercial bank financing in the reconstruction effort.

Other funds will be used for relending by the Lebanese Government at near commercial terms for small businessmen ($10 million), for grants to experienced private voluntary agencies helping economically disadvantaged Lebanese to obtain credit, job skills, health care, and better education ($10 million), and for providing management and planning assistance to the Lebanese Government to improve its ability to use our aid and that of other donors ($3 million).

Our request will serve as a catalyst for other aid and as a stimulus to the Lebanese Government to accelerate the reconstruction effort. We are now fully engaged with the government in planning the detailed commitment of these funds. We will be consulting with the Committee shortly on how we can solve the problems of maintaining program commitments to Lebanon pending prompt authorization and appropriation of supplemental funds.

Trade and Development Program

The Trade and Development Program -- TDP -- has proven an effective mechanism for helping foster development in the Third

World and, at the same time, assisting in the improvement of this country's competitive position in world markets which helps increase U.S. exports. TDP helps U.S. firms get involved in the early planning stages of development projects in order to improve their position as potential participants and suppliers of project requirements. It focusses on projects involving technologies in which we have a comparative advantage, including high technology and specialized U.S. commodities and services. In FY 1982, TDP financed 46 projects, potentially leveraging more than $412 million in U.S. exports. Our request for FY 1984 is $22 million. The proposed increase is based on last year's demand for TDP assistance in excess of $25 million and will allow us to increase our support for development in a way that helps expand U.S. exports.

PL 480

Food security considerations have played an increasingly important role in international discussions of food and hunger. PL 480 food aid is a valuable development resource for enhancing food security and reducing malnutrition. It also serves to augment local production in the developing countries -- provided that it is made available under conditions that support rather than discourage domestic food and agricultural production.

In emergencies or periods of dire food shortages, international food assistance -- led by the United States as the world's largest food aid donor -- plays a vital role in

assuring food security. PL 480 food commodities also augment domestic food sales and distribution programs and may be used to help build national food reserves. Local currency generated from these food sales provides financial resources to assist with the development of food and agricultural institutions and infrastructure.

We seek to improve the impact of both PL 480 commodities and local currency proceeds on food and agricultural development, including increasing their integration with other U.S. bilateral financial and technical assistance at both the policy and project levels. PL 480 resources are also programmed to support the efforts I have mentioned to improve country policies, develop human and institutional capacity and enhance the role of the private sector in food and agricultural development.

For FY 1984, we are proposing a PL 480 program totaling $1.522 billion. This includes $872 million for Title I concessional sales and $650 million for the Title II program. Taking into account anticipated receipts of $470 million from the sale of commodities, this would require appropriation of $1.052 billion. Of the Title I allocations, about 83 percent would be directed to the low-income countries. Approximately 22 percent of the $400 million available for commodities in the Title II program would be designated as an unallocated reserve for refugee feeding and emergency programs. The remaining 78 percent will be used for regular programs of U.S. voluntary

agencies and the World Food Program, as well as several government-to-government programs.

Multilateral Assistance

Up to this point, I have emphasized the importance of our bilateral programs in meeting our developmental, political and economic objectives, but given the enormity of the problems facing the developing nations, overcoming them will require the joint efforts of industrialized nations, multilateral and international organizations, and the efforts of the developing countries themselves.

Therefore, I believe that our contributions to the various multilateral assistance efforts in which we participate are every bit as important as are our bilateral efforts.

International Fund for Agricultural Development (IFAD). For the International Fund for Agricultural Development -- IFAD -- of which I serve as the U.S. Governor in my capacity as acting Director of IDCA, we are proposing an appropriation of $50 million. This amount would represent our second payment against a commitment of $180 million for the first replenishment of IFAD, as authorized by Congress in Fiscal Year 1982. In making this request, we have carefully considered the conference report on the FY 1983 continuing resolution concerning the appropriate source of funding for IFAD and have concluded that it should be maintained as a separate line item, rather than being included within the International Organizations and Programs account as it was this year.

IFAD serves two critically important functions. It is the only funding organization which directs its resources solely to the concerns of small farmers and seeks to increase agricultural productivity in poorer countries. It is also the only international development agency in which OPEC and the Western industrialized nations have come together to provide resources on what approaches a basis of equality.

While we continue to share the Congressional concerns about certain aspects of IFAD's operations, we believe that it is in fact focusing effectively on the kind of lending activities for which it was established. For this reason, and because the United States was instrumental in bringing IFAD into being as a result of the World Food Conference of 1974, our continued strong support is extremely important so that this still relatively new organization can consolidate its progress to date.

Multilateral Development Banks. With respect to our proposals for funding commitments to the multilateral development banks, when this Administration came into office we had a number of questions about the role of these banks. We undertook an assessment of our participation in them, on which we consulted with the Congress. That assessment concluded that the multilateral banks can make an important and cost-effective contribution to development which is supportive of U.S. interests. It also found that MDB activities are complementary to bilateral assistance. For example, IBRD Structural

Adjustment Lending reinforces IMF programs in helping developing countries to face short-term financial crises and to readjust economic policy to permit future growth. More generally, multilateral banks fund projects suited to their capabilities and larger scale of financing. They also replicate investments which have been tested on a more limited and experimental basis through bilateral programs.

The Assessment did conclude, however, that there are some areas in which improvements could be made in the way the multilateral banks work. For example, they could serve to a greater extent as bridges to private capital markets by expanding private co-financing, emphasizing market incentives, and encouraging the indigenous private sector. We would like them to give greater consideration to the effectiveness of borrower country economic policies. They also should adopt more consistent policies for maturation and graduation of countries receiving multilateral resources.

The United States has vigorously advocated that the Banks adopt these principles and the MDBs have responded positively in a number of instances. Let me cite some of these. The Inter-American Development Bank and the Asian Development Bank are considering proposals for equity financing facilities. The World Bank is working on a proposal for a facility to provide for multilateral insurance for private investments and has recently agreed on a new more consistent graduation policy to move countries above a certain income level gradually away from

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dependence on public resources and toward greater reliance on private capital markets. The Inter-American Development Bank has adopted an improved policy on public utility tariffs to ensure more complete cost coverage for projects it funds.

We will continue to look to additional improvements in multilateral bank policies and lending programs, particularly during the course of negotiations for replenishments. This was the case during recent negotiation of the African and Asian Development Funds. Current negotiations to generate new resources for the Inter-American and Asian Development Banks include a number of policy issues of interest to the United States. As we move further into IDA-VII negotiations, our interest in the reforms advocated in the Assessment will loom large.

At the same time, in order for the United States to succeed in promoting improved bank lending policies, we must be seen as clearly prepared to meet existing commitments on a timely basis. Accordingly, the Administration is making every effort to meet current commitments to the IDA-VI replenishment, as attested by our request for a $245 million FY 1983 supplemental appropriation which, along with our FY 1984 request of $1.095 billion, will complete our commitment.

International Organizations and Programs. Just as the multilateral banks play a critical role in meeting the capital needs of developing countries, the programs of the international organizations, particularly the United Nations

Development Program, are important to meeting their technical assistance and training needs. And just as we have had some concern about improving the effectiveness of the banks, we have also had concerns about some of the UN programs. There has been a tendency for budgetary increases in some of these programs to outstrip donor interest and financial support, and in some programs there has been a resulting thinness or lack of focus. Despite these reservations, though, international organizations remain extremely important to us. They provide essential technical and training help, often in sensitive areas where recipients may be reluctant to depend on bilateral assistance, and often on a broader range of problems than can individual donors. They also frequently galvanize attention on critical development problems -- such as UNICEF's current emphasis on the problems of child mortality and the World Food Council's efforts to help food short poor countries develop and implement long range food strategies to meet the needs of their citizens.

For these reasons, the United States remains committed to supporting those international organization programs which are properly focused, which are not excessive in scale and which remain insulated from political and ideological debate. We are upgrading our capability to work with them to improve program quality and hold down budgetary demands.

The effectiveness of all development assistance also depends on close understandings among the donor nations

themselves. New, intensified efforts to have closer cooperation with other donor nations, OPEC countries as well as the traditional donors, are underway.

What we are trying to achieve by this whole process is better use of all resources going to development - our own bilateral assistance, resources provided by multilateral and international organizations, financing coming from other bilateral donors, private capital flows, and the resources developing countries themselves invest in their own development programs. This objective requires better mutual understanding about critical policy issues and the best approaches to the range of development issues -- from improving agricultural production to organizing better low-cost health delivery systems -- and means by which donors and recipients can best work together so that each one's efforts reinforce the others'.

Management Initiatives

Because I believe that effective implementation of the foreign assistance program is at the heart of any measure of success in our development efforts, I would like to conclude with just a few words about some of the management initiatives which I have undertaken.

During my first two years as Administrator, I have initiated a number of management improvements to ensure that A.I.D. makes the most efficient use of its limited resources, both monetary and staff. These initiatives have been focused

on three areas: program implementation, personnel management and internal work processes.

In the program implementation area, we recognized quickly that the amount of authority delegated to the field did not reflect the missions day-to-day program management responsibility and obvious first-hand knowledge of host country needs. Through the increased authority to approve and amend projects that we have granted them, mission staff now can act more quickly and efficiently in implementing our programs overseas.

Another early step we took was to conduct a portfolio review of all of A.I.D.'s ongoing projects. This is now a continual process with an annual report to me on what is being done about poorly performing projects. We believe that such a review encourages tigher project monitoring and prompt revision or termination of off-schedule projects.

A related effort is the semi-annual review of the performance of A.I.D. contractors. This is also a continual review which we believe encourages early actions to correct or replace poorly performing contractors so that projects are not jeopardized by such performance.

Because of A.I.D.'s historic reliance on contractor resources to carry out its programs, we have initiated a review of the policies and regulations governing our procurement to determine if options are available to shorten the time required by these processes. I expect the results from the review to be

on my desk by April 30. We are hoping for some real time-savings for both prospective contractors and A.I.D. staff.

While I'm pleased with what we've done, or started to do, to improve our program implementation, I've established an Implementation Task Force to take an overall look at all areas of implementation and make recommedations for further improvements by September, 1983.

The effort I'm most proud of in the personnel management area is the one to reduce our direct-hire staff to OMB's ceilings without a reduction-in-force. By spreading the staff reductions over a five-year period and concerted efforts by all of our managers, we have avoided a time-consuming and demoralizing process. Steps to improve the quality of our staff have included the development of the first Agency five-year workforce plan which permits targeted recruitment, training, career counseling and placement. We have also increased the accuracy in appraisals of employee performance and encouraged subsequent actions to reward highly productive employees, improve marginal employees and relieve from duty consistently poor performers. Finally, we are presently revamping our training programs to encourage career development.

At the same time that we are trying to improve staff quality, we are also introducing state-of-the-art technologies to increase staff efficiency. These include the application of automation in the work environment and the introduction of

other technologies in such areas as telecommunications, space modularization, and records management.

One of the key management initiatives for FY 1983 is the integration of Management-By-Objective into A.I.D.'s programming process to form a more disciplined system of management planning and control. While I've set a number of program and management objectives for the Agency, there has been no systematic way to track the progress toward meeting them. The integration of MBO into our current processes will mean that A.I.D.'s major objectives will be issued at the beginning of each fiscal year with bureau, office and mission objectives developed to key into them. Progress reporting will occur in meetings with me or my Deputy for those offices in A.I.D./W and will be incorporated as part of the Agency's programming documents for the field. I believe that such an integrated system will ensure that our staff focuses on the Agency's major objectives and that progress in meeting those objectives can be tracked.

The CHAIRMAN. Thank you very much. On page 4 I notice that you have indicated the urgent relief and reconstruction activities, and you have mentioned first UNICEF. I was pleased to see that order of priority. What are some of the types of projects that UNICEF is carrying on in your judgment that are the most important now?

Mr. MCPHERSON. UNICEF, from the very beginning, has been an important contractor to us and to others in Lebanon in carrying out water projects—and some sewer projects. In some cases clean water supplies for villages were absolutely cut off. In other cases, sewer and water lines typically run side by side and because of damage from shelling, the lines had broken and there was mixing of sewage with the water supply.

UNICEF has played a very important and unique role in working with this sewer and water situation; a role, I think, that the world generally does not know about.

The CHAIRMAN. I certainly concur with you. I think it is an essential organization and, as you know, I have seen firsthand some of the PVOs—Save the Children, for instance—and what they have done to supplement this international organization. They have done a magnificent job in development for people in some of the most troubled parts of the world. I visited some of them this past year, and that is the kind of cooperation, one supplementing the other's efforts, that is so terribly important.

We think it is an awfully good idea for us to go back frequently—not every weekend, but almost, it seems—to our home States to listen to people. I have noticed in the Lincoln Day recess the first really marked change in people's attitudes about so much military assistance abroad.

More and more, sophisticated business people are pointing to the economic decay in some countries, saying that arms are not going to solve those problems. I imagine that a proposed attack on Sudan would be of less interest to Libya's leaders if they had not expected insurgents support in the economically depressed south. An economy in critical condition is where a military operation can be struck with some degree of success.

If development programs were really working and there was hope for the people, they would not have such an opportunity. The same is true in El Salvador. The guerrillas simply would not make any progress if there were not widespread economic dissatisfaction on the part of 5 million people.

I note in the administration's request a 21-percent increase for military assistance, and an 11-percent increase for ESF, but only a 4-percent increase for development assistance [DA]. With most developing countries facing economic setbacks such as you have described, heavy debts, won't this military assistance divert LDC resources to an extent not compensated by comparable increases in economic support and development assistance?

Mr. MCPHERSON. Well, as you know, Mr. Chairman, this is an extremely complicated question, which really must be considered on a country-by-country basis. But Sudan is a pretty good example. It is true that the economic situation in Sudan tends to encourage or foster instability. The program that we have put together for Sudan, however, both addresses the immediate security needs,

which include the more or less immediate and short-term economic needs, and looks at the longer term situation.

There are some questions concerning external forces threatening Sudan, and the Sudanese need to have a reasonably strong military to address the security situation. In addition, they are faced with some terrible economic problems, which we have tried to alleviate. As we have put money in, however, we have insisted that the Sudanese deal with the IMF. As a result, in Sudan there now is an IMF agreement which includes a series of austerity measures designed to improve the economy.

The government in Sudan, furthermore, has taken a number of steps that are very important and which will result in longer term improvements for that country's economy. Our money, I might add, served as leverage to bring other donors' money into the country in connection with a donors' consortium. Through this consortium, the IMF, the other donors and we have put together an economic package conditioned on reforms in Sudan that, I believe will be very helpful. That economic reform package, along with the fact that a major oil company is considering building major facilities in the south of Sudan and a pipeline a few miles south of Port Sudan, and the impact of some of the DA programs which have increased production in rainfed areas through expanding the irrigation system is an example of how the various modes of assistance can be integrated to meet its needs in a particular LDC.

I believe that in Sudan we have an overall plan in place that is an integrated package. This includes: the World Bank working with large irrigation projects; AID working with rainfed agriculture and other areas; the IMF, other donors and AID supporting the economic recovery efforts through fast disbursing assistance; and the oil pipeline, which we expect to produce $200 million in annual revenues within 5 years.

While it is a complicated picture, I believe the military and economic assistance package is reasonable, Senator. I think our ESF request would not have grown nearly as fast as it has if it weren't for the hard economic times.

The CHAIRMAN. Let us look at the reasonableness, however, of an item that you in your testimony put high priority on—UNICEF. In looking at the details of your budget I see that it has an appropriation in fiscal year 1983 of $42.5 million. The request for 1984 is only $27 million. That is a $15.5 slash—of more than one-third—in a very high priority item. By contrast the military aid request is actually increased by a considerable amount. How do we justify that?

Mr. MCPHERSON. Well, of course, in assembling our request there must be a balancing of items. We certainly think that UNICEF is a good organization and that it does a good job, but in the balancing those were the figures that we came out with.

I might say that last year's figures did not reflect the several millions of dollars that we gave to UNICEF to carry out thier work in Lebanon. Almost all their work in Lebanon was through funds that we provided. We would anticipate, given whatever circumstances might evolve in Lebanon, that we might provide funds for them once more.

The CHAIRMAN. Thank goodness we have organizations like that, so that in a real crisis we can move swiftly. We do not have to build up the bureaucracy; they have the people. Save the Children and others have rushed in there to really help out in that very critical situation. It is a good thing we had them in place.

Mr. MCPHERSON. Absolutely, if we did not have the International Committee of the Red Cross, Save the Children, CARE, Catholic Relief, and so forth, we would be scurrying around trying to figure out how to invent them.

The CHAIRMAN. Can you tell us to what extent the present development assistance requests, represent a reduced real value of aid due to inflation? Do high LDC rates of inflation aggravate the problem?

Mr. MCPHERSON. I am sorry, Senator?

The CHAIRMAN. To what extent do the present development assistance requests represent a cut in the real value of aid due to inflation? In other words, do high LDC rates of inflation aggravate our problem?

Mr. MCPHERSON. Actually, under the circumstances, our situation is probably enhanced. Because the dollar is so much stronger that most currencies, it can buy more. Also, our rate of inflation is substantially less than that in almost all LDC's in which we work. In fact, I cannot think of any in which it is not less. So, the overall situation is probably improved in terms of the impact of the dollars which are appropriated.

The CHAIRMAN. For this round, just one last question. What proportions and type of AID funding under development assistance and ESF are tied to purchase of U.S. goods and services? What changes has AID introduced with respect to tying during the past 2 years, if any?

Mr. MCPHERSON. It is our estimate that about two-thirds of the foreign assistance dollars come back to the United States in purchases of goods and services.

We think that it is very important for us to be conscious of the impact that the foreign aid program has upon the U.S. economy. To that end, for example, we are in very limited ways working with a mixed credit facility in Egypt. This $75 million facility is a combination of credits using both private and Ex-Im Bank moneys to sell U.S. goods. We have done that strictly with ESF and, to date, solely in Egypt. While I think that we want to be careful not to get this mixed credit facility too involved with other parts of our assistance program, this is an example of our efforts to be sensitive to the need to increase U.S. exports across the board, whether it be in agriculture, manufacturing or other areas.

The CHAIRMAN. Fine, thank you.

Senator Pell.

Senator PELL. Thank you very much, Mr. Chairman.

I would like to return to this question of explaning the aid program to our constitutents. You might want to do this for the record rather than trying your hand now.

Let us just pretend, Mr. McPherson, that you are a candidate for the House or the Senate in the State of Rhode Island. Maybe the Senator from Illinois would be interested in the State of Illinois.

The CHAIRMAN. Why do you not take a real State right in the heartland of America, Illinois. [Laughter.]

Senator PELL. In any case, imagine you are on the hustings. How would you go about saying, "Friends, this program is to your best interest?"

Mr. MCPHERSON. I think you essentially say that this is an investment in America. It is an investment in America because every $1 billion in exports that we sell abroad means 25,000 jobs in this country. The only way that developing countries can buy more from us is for them to have economic growth. Or conversely, if their economies slow down, for every $1 billion less that they buy from us there are 60,000 or 70,000 jobs lost taking multiplier imports into account.

I think you essentially would make the argument on a jobs basis, because the record is sound and really quite complete. The world is so much different than it was even 10 years ago; it is much, much more integrated. The fastest growing components of our exports are those which go to LDCs. Roughly, 40 percent of our exports last year went to LDCs. There is no way that these countries can be stagnant without that having a very direct impact upon U.S. jobs. I think that this is the issue in Rhode Island and Chicago.

Senator PELL. I wish you would submit for the record a statement along those lines but zeroing in on the specifics in Rhode Island.

Mr. MCPHERSON. All right, we have those figures for Rhode Island.

Senator PELL. That is a wonderful coincidence, I think.

Mr. MCPHERSON. We have the figures on Rhode Island in terms of how much of the aid money came back to Rhode Island.

Senator PELL. I would like that.

Mr. MCPHERSON. In terms of overall exports—we have to do some more work, but it seems we need those figures for you.

Senator PELL. Good, I would be very grateful. It might be interesting if you had those figures broken down for the members of the authorizing committee. I would be grateful for that.

Mr. MCPHERSON. You understand the distinction I make between the return of the aid money and the number of jobs that growth in the Third World creates, but we are trying to work on the latter set of figures, too.

Senator PELL. Do the best you can with a piece of paper.

Now, another question comes up here, and that is along the same lines to try to develop more of a constituency for the aid program. One of the reasons why I have always supported the voluntary agencies is the fact that they develop their own constituency. If you have the various groups that are involved, each one of them with a network across the United States, people will start to identify with the program itself, which is another good reason why I think more money should be spent through the voluntary agencies than is presently the case, plus the one that we have gone over before.

I remember when I ran a voluntary agency program, we felt that we did it less expensively from the viewpoint of the taxpayer than the parallel government program.

I am glad that you have met a minimum of 12 percent on the amendment that Senator Percy and I put through a couple of years

ago. But, I was wondering if you could explain when you think you may reach the target of 16 percent and if you see us able to eventually move up to 20 percent. That was the figure I had in my original amendment.

Mr. McPherson. We think that the PVOs play a very important role. Indeed, as you say, they are an important constitutency for this Agency; and I think that this committee, and you personally, Senator, are to be congratulated for the Biden-Pell legislation that authorizes us to spend money with PVOs to help educate the American public on the hunger and other needs in developing countries.

In terms of the percentage for PVOs, as you know, last year we had 13 percent. This year we project about the same, maybe a modest increase above that. We have put into place, in the budget office of the Program and Policy Coordination Bureau, a monitoring system to insure that we not only meet our targets, but attempt to exceed them.

In addition, we are working with the PVO community in terms of the kinds of functions they can perform. As I said a moment ago, if we did not have the PVOs in situations such as Lebanon, we would have to create them. They play an enormously important humanitarian role.

On the other hand, some of these PVOs, such as CARE and Save the Children, are beginning to say that they need to play a developmental role as well as a humanitarian relief role. As their developmental role expands, I would anticipate that it will be easier and easier for us to work through them for what is this agency's principal purpose—namely, development.

As to when we would meet the 16 percent I do not, in all candor, have a time frame. But I want to assure you that this is a matter of continuing interest; and I am very aware that you, Senator Pell, and Senator Percy are very interested in the effectiveness of these organizations.

Senator Pell. From a philosophical viewpoint, too, I think it would be very much in line with the administration which likes to get less Government and more private volunteerism into the general structure of American life.

Here is a program where the words can be translated into action. What would be the effect if we put into the legislation that we mandated the 16 percent this time?

Mr. McPherson. I guess I would like to have the opportunity to move in the direction that we are without the legislative requirement, because we sometimes end up tying our hands and causing inefficiencies.

I think that the key here, Senator, is for AID to be working with the PVOs not only to complement their continuing critical humanitarian programs, but also to increase their developmental capability.

I gave a speech just a few weeks ago in New York to the association of PVOs of which David Guyer of Save the Children is the new president. In my speech I suggested to them that they ought to think about, and that we ought to consider, having long-term plans with the key PVOs.

I would like to say to CARE, as I am doing with the university community, "What should we be doing together in the next 5 to 10 years?" We are putting together a memorandum of understanding with the universities on our long-term plans for what they are going to do in terms of press of concentration and expertise, so that they can be assured of some level of funding from us. This makes it a lot easier, managerially, for them to plan. It seems to me that such a vehicle is the way to institutionalize a broader developmental role on the part of the PVOs, to complement their humanitarian role.

Senator PELL. This is a question that interests the committee very much indeed, and I am sure we will discuss it informally; but it is my intent that we keep raising the percentage of money that flows through the PVOs. I visualize that there will be an increase in the amount that we will expect.

Now, another question in connection with UNEP. In a letter you sent me last September, you indicated that AID is ready to finance an additional $300,000 in other action plan activities as soon as UNEP can identify appropriate projects.

This offer was made after the Appropriations Committee objected to a reprograming of $300,000 to the action plan itself. What would be the status of the other activities to which you referred in your letter, and how are things going vis-a-vis UNEP?

Mr. MCPHERSON. We made a commitment to provide to UNEP that additional $300,000, over and above the funding that was already agreed upon. I do not have specific information on how that money has been spent, but I was personally involved in making that commitment to you, not just in that letter but in our discussions. In fact, I remember discussing it with you the day that the President laid out the Caribbean Basin Initiative in the White House; and you can be sure that we are going to get that job done.

I do not know just where that stands, Senator. I will provide that for you.

Senator PELL. Maybe you could submit that for the record.

Mr. MCPHERSON. Of course.

[The information referred to follows:]

CARIBBEAN ENVIRONMENTAL ACTION PLAN

The Caribbean Environmental Action Plan (CEAP) is being actively supported by AID through $600,000 worth of special projects designed to implement priority elements of the Plan. These activities include oilspill contingency planning, watershed management training, wildlife management training and environmental education.

We have consulted with UNEP on these special projects. AID and State will attend the next Monitoring Committee Meeting from March 14-26, 1983 and UNEP has said they would acknowledge our contribution at that time.

Senator PELL. Thank you.

The President's fiscal 1984 budget reflected a 20-percent plus increase in military aid and a 4-percent increase in developmental assistance. This really means in developmental assistance, taking into account inflation, in real dollars an actual decline.

How are you able to meet the pressing needs of the developing nations with in real terms a declining level of support, at the same time pressing into their hands an increased amount for weapons?

Mr. MCPHERSON. Well, the other component that has increased——

Senator PELL. I am sorry. I was out of the room when a similar question was asked by the chairman. I will read your reply to that. I apologize. I do not want to take up your time.

That is all. Thank you, Mr. Chairman.

The CHAIRMAN. I have one remaining question; then we will submit questions for the record.

Your requests for fiscal 1984 do involve some changes in the relative importance of certain functional programs. Could you explain the developmental rationale for increases in education and in private sector and energy programs, for the reduction in health programs, and for the relative low priority for population programs which show no increase? As you know, the latter programs have been strongly encouraged by this committee for many years.

Mr. MCPHERSON. As you can understand, Senator, I was anticipating this question.

The CHAIRMAN. I would like to have you expand on your position on that. Why, for instance, no increase in population? Do you think the present level is adequate for the type of problems the world faces?

Mr. MCPHERSON. Senator, I believe very strongly in a family planning program. We have pursued a strong family planning program effectively within the administration and in Congress. The current regret is perhaps more a symbolic increase but we in fact have an increase in the family planning effort.

Furthermore, we have, in my judgment, very solid administration support for what I think is the cornerstone of the whole development effort. You may have noted this support in recent testimony by Secretary Shultz, as well as the references to this subject which he has made in speeches around the country. Getting back to your question, though, while one always could perhaps find ways to spend additional money, when the overall needs and priorities are balanced, it is my judgment that $212 million is, given the budgetary pressures, an adequate sum and one that continues U.S. leadership in the international family planning effort.

We are talking to other donors, to the Germans, Italians, and others about the need for them to increase their family planning effort. We continue to be the largest donor, by far, in family planning.

In terms of the health request, I actually somewhat arbitrarily increased the level of funding from what my staff had recommended. The way our budgetary process works, projects are proposed for funding from all our missions and bureaus. We review these proposals and total them up while, of course, deleting some requests for support for projects which do not messure up. The total level requested for health was substantially below what is in the current request. I judged this not to be acceptable, and directed my staff to develop additional health projects.

I think that health projects play a very important role, in development. We are, for example, increasing biomedical research, something I think we are in a unique position to do. We are holding a big conference sponsored by the United States on oral rehydration therapy, to which we will be inviting health ministers and

senior people from all over the world. This conference will be held in June.

We place a serious emphasis upon health, and perhaps in response to the oral rehydration conference, the requests for health funds from the field may increase over the next couple of years. But, the request reflects the way the projects have totaled up so far.

There are, Senator, a couple of other factors as well in health. We had additional health money last year and forward-funded some $21 million worth of projects. This, of course, reduced requirements against the budget now under consideration.

There is one last thing that I think is worth mentioning, and that is, that our approach to health projects involves moving away from providing commodities; in other words, away from providing medicines directly to people.

We have done so because we believe that if a system is based on commodities being provided by outsiders and they withdraw, the whole medical delivery system will fail. We have emphasized primary health care programs. Without the commodities, these programs are not as expensive.

I might also say that in our ESF program we have several millions of dollars programed for health projects over and above the DA moneys. I feel, Mr. Chairman, that we have, and continue to have, a very strong health program. I am committed to it, and I think this level of money for fiscal 1984 is quite reasonable.

You also mentioned the education account. There is an increase in education because we are beginning to move back into some primary education programs. In recent years, primary education had been substantially deemphasized, but we feel that human capital is the critical ingredient to development, and we are beginning to do more work there.

If you look at countries like Zimbabwe, you see something like a 100-percent increase in the number of children in school. I may have my figure wrong, but it is a tremendous increase. Almost all of them are in the first, second, and third grades. In other words, almost all of the increase has occurred since independence. We think we need to work more with primary education.

Last, you asked about the selected development activities account. That includes, among other things, the private voluntary organizations, where we are increasing the money that is going into those activities from $19 million in 1983 to $33 million in the current request. This is a $14 million increase.

The biggest component of this account is, in fact, our private enterprise efforts. Overall, the private enterprise effort as a percentage of the 106 account goes from 37 percent in 1983 to 39 percent in 1984. This is an increase of several million dollars, but it is part of the overall increase in the 106 account.

The CHAIRMAN. Thank you very much.

Senator Pressler, and then Senator Sarbanes.

Senator PRESSLER. Thank you.

Thank you for your presentation. I apologize for being a bit late. I think you are doing an excellent job over there under difficult circumstances.

Let me briefly cover an area—and I know we have several panels coming, so I am not going to belabor this for a long time—the food area. I know that the Agriculture Committee deals with Food for Peace, but nevertheless, AID is very much involved, too.

Some years ago when I was in the Army I was loaned to AID for a while to do some work on food distribution and other issues. In those days we found that, at least over in Vietnam, that sometimes the distribution was the problem. In my State there is a group of farm leaders who have come up with a plan called the mercy food program under which they want to expand the giving away of food. In a related development, under the PIK program we are giving our farmers in-kind payments of food, grain, or other commodities rather than cash.

Some ask, and I hear this a lot, why are we giving all this foreign aid? Why do we not just give them food and let it go at that? Of course, there are problems with the food rotting on the docks, and there are some countries that need aid and want to export agricultural products to us.

I know it is a complex issue, but what are the chances of increasing food aid while decreasing some other areas of the foreign aid package?

Mr. McPHERSON. Food for Peace plays a very important role, as you have indicated. In fact, I have quite a lot of experience with Food for Peace, because for about half the time I was a Peace Corps volunteer in Peru, my primary responsibility was to be the coordinator of some 50 or 60 other volunteers throughout Peru who were distributing Food for Peace to schools. It can be a good deal of help to people.

As you have indicated, there are some problems. There is the so-called Bellmon amendment which says, in effect, that we cannot give food to a country in a way that will destroy or substantially hurt agriculture in that country. We have to avoid dumping our products in countries. That is one concern.

There are distribution concerns where we must make sure that we have CARE or some similar organization in place to get the food out. There are also budgetary concerns.

Having said all that, though, we believe that there may be ways in which additional food can be distributed. For example, we recently had discussions with the Department of Agriculture on section 416 of the Agriculture Act, which concerns the distribution of surplus CCC commodities, and which was put in the legislation last year.

There are a number of ways that allow for a reduced budgetary impact when food is distributed. That budgetary concern is a major problem, as you know, and we have to balance off each one of these concerns. I am not here to ask for funds for Public Law 480 but, rather, for the budget package as a whole, which we think is a carefully balanced one.

I assure you, though, that we continue to have extensive discussions on how we might increase the amount of food that would go abroad without serious budgetary problems, because we know that American farmers have problems. We also need to administer the Public Law 480 program, particularly in these days, to the maximum extent feasible in a manner that is sensitive to the American

farming concerns. We need to make early program commitments. For the first time in the history of the program, Senator, shortly after the turn of the year we had 75 percent of our Public Law 480 agreements concluded with the recipient countries. That means that the program had an early market impact for the U.S. farmer. It means, in short, that from a U.S. domestic agriculture point of view, the program worked better.

There are some tradeoffs involved, but the fact is that the American farmer today is in trouble, and we have to be sensitive to that, and do the best we can for him.

Senator PRESSLER. What about India, Pakistan, and Bangladesh in the area of either food sales or Food for Peace?

Mr. MCPHERSON. In India we have over $100 million of food going in; in Bangladesh the level is $80 million, and in Pakistan it is about $65 million.

We are aware of some food shortfalls in India right now, and are discussing the problem with the Indians. Just recently, for example, we committed ourselves to an additional $3 million of wheat for Bangladesh.

These are hard times around the world, and with people not having any money and in some cases suffering from drought and other problems, there are many opportunities for America to do good for itself while doing good for the world. We need to continue to explore such opportunities.

Senator PRESSLER. Has this depressed the world price of grain? Do the Canadians do anything like this? Are we the only country in the world to do that?

Mr. MCPHERSON. Other countries have agriculture surplus programs. The Europeans do, for example.

Senator PRESSLER. Do the Europeans give away much food for peace?

Mr. MCPHERSON. Yes, they tend to subsidize their sale of such commodities. The subsidizing by the Europeans, and the French particularly, is enormous, as you know.

Senator PRESSLER. Should we start doing that, like sell it to India for half-price or a third-price or something?

Mr. MCPHERSON. Well, as you are, I am sure, virtually involved daily in this issue, it is one that is beyond my ability to speak for the administration. But, clearly, the administration has been very concerned about the subsidies and the squeezing out of the American farmer in the process.

Senator PRESSLER. The problem would be that, for example, we sell our surplus butter abroad. First, we would give it away, or second, if we sold it as a subsidized export, it would mean that a housewife in Moscow would be able to buy butter cheaper than an American housewife, which I am sure some of the cartoonists would have a lot of fun with, though we would get more money out of it. That is what the Europeans are doing to compete with us.

Mr. MCPHERSON. They certainly are. When we talk about increasing the U.S. agriculture surpluses abroad through a Public Law 480 program or whatever, what we are thinking a lot about is the title II program which involves food grants for humanitarian purposes.

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In other words, we do not want to displace commercial markets. We want the food to go to the hungry person that doesn't have food, or enough money to buy enough food, so that we do not end up taking the market away from the American farmer.

Senator PRESSLER. On another subject, I know that you have made a considerable personal effort to help reconstruct Lebanon. Can you tell the committee how the $150 million requested in supplemental aid to Lebanon might be spent, whether it will be spent through the Central Committee? Will any go to the Palestinians?

Mr. MCPHERSON. Yes, Senator. Let me send to you, for the record, a very detailed breakdown of how we would spend that money, according to our plans. But let me comment generally now, if I might. The $150 million will go to the Lebanon Government and the Lebanese but will not go to Palestinians.

There will be additional amounts of moneys from the refugee account for Palestinians. That amount of money hasn't been finally determined, but there will be several millions to deal with the refugees. We clearly have felt from the very beginning that we needed to work in this area, that the refugees were some of the hardest hit people in the country and needed to have that kind of help.

The $150 million, on the other hand, will be for various types of reconstruction, an important part of which will flow through the CRS, which is the Lebanese reconstruction organization.

A point that hasn't been made, I believe, is that the World Bank is taking a steadily larger leadership role in the Lebanon reconstruction effort. Just a few days ago the World Bank briefed all the other donors in a meeting in Lebanon about what they, the World Bank, are doing. We are anxious for other donors to play a complementary role in Lebanon, while the World Bank plays a leadership role.

Senator PRESSLER. How much of that is food aid going into Lebanon?

Mr. MCPHERSON. Not very much.

Senator PRESSLER. They are a food exporter, aren't they?

Mr. MCPHERSON. They have historically been a food exporter. In fact now, for a variety of reasons that are quite intricate, they have imported a tremendous amount of food, much of that going through ports in Israel and into Lebanon.

Senator PRESSLER. Thank you very much.

The CHAIRMAN. Thank you very much.

Senator Sarbanes, Senator Pell, and Senator Mathias have several more questions.

Senator SARBANES. Thank you, Mr. Chairman.

I am interested in the relative merits that you see in development assistance and ESF moneys.

Mr. MCPHERSON. I think in the world economy that we have, ESF plays a tremendously important role. Take a country like Liberia, where we historically have had a development assistance program. I found in reviewing that particular program that the Liberians were going to have a hard time maintaining their involvement in our development assistance programs.

By law, 25 percent of project moneys must be contributed by the local government. The economic situation in Liberia is so harsh and so difficult, however, that they have a hard time meeting that

requirement. On the other hand, they have daily, or at least monthly, requirements for hard currency to buy some petroleum just to keep their country going.

Therefore, when I look at the role of ESF today—I would hope that in 2 or 3 years it will not have to be like this—but today there is a tremendous need for ESF assistance in places like Sudan, Liberia, and Kenya, to name three major recipients in Africa; and also in the Caribbean countries.

You are addressing another set of questions when you talk about the combination of ESF and DA versus foreign military sales. I know you have been interested in this question, and that earlier today we discussed it here, but I can go into some of the rationale if you would wish.

Senator SARBANES. If there were not the 25-percent requirement, would that affect your response to the question?

Mr. MCPHERSON. In some countries it would, but the problem with having no requirement or lowering it, is that it is only when a government puts in some of its own money that we can know that the government is truly interested in what we are doing. A lot of projects, a lot of great ideas proposed by developing countries, fall out when we get right down and start talking about how much money they are going to contribute.

So, I would like to keep that rule there. We, however, have been somewhat flexible in how we have interpreted it, depending on whether times have been harsher or easier.

Senator SARBANES. I gather there are some 70 countries that receive either development assistance, ESF or both; is that correct?

Mr. MCPHERSON. Yes; you would, I believe, have to add Public Law 480 as well to make that 70.

Senator SARBANES. How many of them do you know receive both ESF and development assistance?

Mr. MCPHERSON. I don't have that number at the tip of my tongue here, Senator. It is not large but there are a few.

Senator SARBANES. Do you have any idea of allocations of ESF and development assistance amongst the 70 countries? Roughly, how many countries receive development assistance?

Mr. MCPHERSON. Oh, I think about 40. The reason I can't answer with more precision is that I tend to look at the program, in all candidness, as an integrated Public Law 480, DA and ESF program, and see them entirely as complementing each other. Historically, I believe my predecessors saw their job as being to run the DA portion of the program and to worry about DA. I don't think that is my job. My job, I believe, is to integrate all assistance; that is, the Public Law 480 effort, the ESF, and DA.

Senator SARBANES. It is your perception that ESF is integrated with the DA and the Public Law 480, and not integrated with the military programs?

Mr. MCPHERSON. I think that is largely true. There are different motivations and requirements concerning the foreign military sales, the IMET, and the MAP, than for these other areas. Now, obviously we look at the whole thing together under the current budgetary process, but at least from my point of view, I am the economic administrator.

Senator SARBANES. Assuming that that is right, that the ESF, the DA and the Public Law 480 are put together by you in an integrated fashion addressing the needs of the respective recipient countries, at what point does that package come together with the military package in the decisionmaking process?

Mr. MCPHERSON. In this process, Under Secretary Schneider has the overall responsibility to put together an integrated 150 account budget, except in those areas where the Secretary of State has an overview. In that connection I am the other principal participant, although there are a lot of other players involved.

We build our budgets and talk a lot with the State Department Assistant Secretaries and other people that are involved and at a fairly late date in the budget process, merge the two systems. The State Department has primary responsibility for the ESF allocations but I see AID as taking a leading role and often——

Senator SARBANES. Who is the point person for the military part?

Mr. MCPHERSON. Under Secretary Schneider.

Senator SARBANES. He is also the decisionmaker as to the mix between the military and the economic?

Mr. MCPHERSON. He is the coordinator for the role, but the Secretary is the person who makes those final decisions and, not infrequently, I talk to the Secretary about such decisions.

Senator SARBANES. But you are kind of on the downside of that process, aren't you?

Mr. MCPHERSON. I don't feel that way, Senator. In fact, I think it is quite important for——

Senator SARBANES. You go to Mr. Schneider first to put the package together?

Mr. MCPHERSON. Mr. Schneider and I sit down together to talk about the matter.

Senator Sarbanes. Nonetheless, he is the point man, he is both the decisionmaker and the point man for the military.

Mr. MCPHERSON. Yes; but, we have been very careful about the decisionmaking especially concerning development assistance. In fact——

Senator SARBANES. Who looks at this package and says, this is crazy, we are giving all this military aid but we are not doing what we ought to be doing in ESF and DA, which is really what this country needs if it is going to not only address the problems in the economic area viewed in humanitarian terms, but even with a more perceptive understanding of our strategic, security, and stability interests?

Mr. MCPHERSON. The man that looks at that first is Schneider, with me having a separate line of respsonsibility. Then the Secretary or Deputy Secretary does a final overview and makes a decision.

Senator SARBANES. All right.

I do want to echo Senator Pressler's comment. I think you are doing a very good job down there. Now let me ask a couple of more pointed questions.

For the American schools and hospitals abroad program, your request has been, you have come in at $7.5 million. The Congress last year appropriated $20 million for this program. Why the sharp reduction?

Mr. McPHERSON. Actually, Senator, once Congress appropriates the money, we do the best job we can to make sure we get as much value as we can out of every dollar. However, we have thought over the years that the money for this program might be better spent doing other things. Essentially, we are working with institutions that often don't benefit poor people as directly as we think they might. We think there are better alternative uses for that money.

Senator SARBANES. Is there some perception that the Congress is going to raise this in any event so why don't we just lowball it?

Mr. McPHERSON. It is true that Congress historically has raised that account above our request levels. On the other hand, I think it is important for us to continue to make the argument that as one of the alternative means of obligating money to reach the poor majority, this program is probably not one of the better ones.

Senator SARBANES. I think that routine might not have been such a bad one in the days when we weren't under the kind of budgetary constraints we are in now. But it seems to me, given the current situation, there ought to be more of a shared understanding between the Congress and AID and that we ought not to lowball figures assuming they will go up or vice versa.

We keep having to address this. I remember Senator Javits and I had a round with your predecessor, so it is not unique to the current occupants of the office.

On the PVOs, I know Senator Pell had an amendment in that you ought to move toward a 16-percent figure. You are above the minimum.

Mr. McPHERSON. That is right, 13.1 percent.

Senator SARBANES. Does that represent a movement or is that sort of where you have decided to rest?

Mr. McPHERSON. Well, that is more or less a straight-lined level from last year. I believe that, over time, we should be able to move that figure up. Recently I gave a speech to the leadership of the PVO community in which I said that the humanitarian functions they perform, in Lebanon for instance, are critical. But, in addition to those functions, we are anxious for the PVOs to get more and more into the development business, and some of them, such as CARE and others truly are.

To that end, I suggested that each one of the major PVOs sit down with AID and work out a long-term arrangement in which we can project where they are going to go the next few years, and through such a means we can perhaps move those percentage figures up. There is only so much humanitarian work per se that we think you, the Congress, want us to do, and as those percentage figures increase, we will probably be asking the PVOs to do more developmental work.

Senator SARBANES. I see the red light is on. Mr. Chairman, if I could very quickly leave you with some questions and maybe we could get some responses.

Mr. McPHERSON. Excellent.

Senator SARBANES. First, I notice that you are asking for a revolving fund to be managed by the PRE Bureau.

Mr. McPHERSON. That is correct.

Senator SARBANES. I had a number of general questions I wanted to ask about the operation of that bureau. My interest in it now is increased by the fact that you submitted a request for a revolving fund for it, and I think if we could have some more detail as to the justification for such a fund, its intended operation and its function, and a general overview of how the Bureau and private enterprise has functioned.

Mr. MCPHERSON. I would be more than happy to provide that to you.

Senator SARBANES. Second, if you could take the 70 countries and break them out on development assistance, ESF and both, and some rationale for——

Mr. MCPHERSON. The integration?

Senator SARBANES. The integration.

Third and very quickly, Senator Boschwitz and I have had a longstanding interest in the aid to Egypt and its effective and prompt usage. You held a number of meetings, I think, with officials accompanying President Mubarak when he was here, and I wonder if you could share with us any observations on the outcome of those discussions.

Mr. MCPHERSON. I would very much like to do that.

[The information referred to follows:]

BREAKOUT OF AID COUNTRIES BY DA AND ESF AND RATIONALE FOR INTEGRATION OF ACCOUNTS

Attached, for your information, is a list of aid recipient countries proposed to receive fiscal year 1984 Development Assistance (DA), Economic Support Funds (ESF), and Public Law 480. Although not within AID's purview, we have also included military assistance recipients in fiscal year 1984.

Of those countries and regional programs included in the list the following are planned to receive both DA and ESF in fiscal year 1984: Africa: Kenya, Liberia, Niger, Senegal, Somalia and Sudan; Asia: Philippines and Thailand; Latin America: Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Caribbean Regional, and LAC Regional; and in the Near East: Morocco.

During the course of interagency strategy and budget reviews, AID and State cooperate in establishing an integrated budget, including all economic assistance which will have the greatest impact in achieving the development goals of the recipient countries and the United States.

In cases where both DA and ESF are used in the same country, AID attempts to plan those resources to complement each other in the pursuit of development objectives. The success of our development programs is dependent on the health of the recipient's economy. For example, an ESF commodity import program (CIP), provides foreign exchange that helps to stabilize the economy and generate local currencies which are required to support DA assisted projects. In other cases, ESF is used along with DA for specific development projects. The country and regional examples which follow illustrate the integration of these two resources, as well as Public Law 480.

In Sudan our combined resources, in concert with other donors, have and will continue to help the Sudanese economy survive the short-term crises through the financing of essential imports under Public Law 480 and a Commodity Import Program, help in the recovery and growth of the economy over the longer term through institution-building projects to promote economic policy reforms, and relieve some of the more critical infrastructural and institutional constraints to increased production.

In the Philippines, ESF was viewed by that Government as primarily payment for base rights. In planning the implementation of the program, AID worked with the Government to design ESF projects to help improve the social and economic conditions of the Philippines rural poor majority, with special emphasis on the poor rural population living in areas near the bases. This complements our DA program in benefiting the rural poor, especially in the areas of agriculture and energy.

The Caribbean region is suffering from its most severe economic crisis since the 1930's. In response to the growing political and economic crisis in the region, President Reagan proposed a Caribbean Basin Initiative (CBI) in June 1981. The CBI was conceived as a multidonor effort in which the United States would cooperate closely with several other countries to mobilize additional necessary resources. Our DA and ESF programs will help the countries of the Caribbean Basin implement reforms needed to ensure a more efficient allocation and a more productive use of their resources, achieve a more rapid economic recovery and to improve their capacity to provide productive employment opportunities, and generate the resources needed to better satisfy the basic human needs of their populations. U.S. participation in these stabilization and recovery efforts, especially important for strengthening private-sector confidence through the use of ESF, improves the chances for long-term development programs to be successful. Both DA and ESF resources will be used to stimulate agricultural and industrial production and to create employment, particularly in the private sector. Public Law 480 resources will also be integrated with development activities in these areas.

In Morocco, AID is planning to join ESF and DA assistance together in a package to assist rainfed agriculture. This assistance will support a Moroccan strategy to achieve substantially higher grain production in Morocco's extensive and long-neglected rainfed agricultural regions, where the majority of Morocco's low-income farmers live. AID's cereals strategy combines DA funding, Public Law 480 Title I proceeds and ESF in a program of applied research and extension, input supply and distribution, and improvement in storage facilities and marketing arrangements.

Attachment.

COUNTRIES PROPOSED TO RECEIVE DA, ESF, PUBLIC LAW 480 AND MILITARY ASSISTANCE IN FISCAL YEAR 1984

Country/region	DA	ESF	Public Law 480	Military assistance
Africa:				
Angola			X	
Benin			X	
Botswana		X	X	X
Burundi	X		X	X
Cameroon	X		X	X
Cape Verde [1]	X		X	X
Central African Republic	X		X	X
Chad [1]	X		X	X
Comoros			X	
Congo	X		X	X
Djibouti		X	X	X
Equitorial Guinea	X		X	X
Gabon				X
Gambia [1]	X		X	
Ghana	X		X	X
Guinea	X		X	X
Guinea Bissau	X		X	X
Ivory Coast				X
Kenya	X	X	X	X
Lesotho	X		X	
Liberia	X	X	X	X
Madagascar			X	X
Malawi	X		X	X
Mali [1]	X		X	X
Mauritania [1]	X		X	X
Mauritius		X	X	
Mozambique			X	
Niger [1]	X	X	X	X
Rwanda	X		X	X
Sao Tome			X	
Senegal [1]	X	X	X	X
Seychelles		X	X	X
Sierra Leone	X		X	X
Somalia	X	X	X	X

Footnotes at end of table.

COUNTRIES PROPOSED TO RECEIVE DA, ESF, PUBLIC LAW 480 AND MILITARY ASSISTANCE IN FISCAL YEAR 1984—Continued

Country/region	DA	ESF	Public Law 480	Military assistance
Sudan	X	X	X	X
Swaziland	X			X
Tanzania	X		X	X
Togo	X		X	X
Uganda	X		X	X
Upper Volta	X		X	X
Zaire	X	X	X	X
Zambia		X	X	
Zimbabwe		X		X
Sahel Regional [1]	X			
Southern African regional		X		
Africa regional	X			
Asia:				
Bangladesh	X		X	X
Bhutan			X	
Burma	X			X
India	X		X	X
Indonesia	X		X	X
Korea				X
Malaysia				X
Nepal	X		X	X
Pakistan		X	X	X
Philippines	X	X	X	X
Singapore				X
South Pacific [2]	X			X
Sri Lanka	X		X	X
Thailand	X	X		X
Asia regional	X			
Latin America				
Argentina				X
Belize	X			X
Bolivia	X		X	X
Brazil			X	X
Chile				X
Colombia				X
Costa Rica	X	X	X	X
Dominican Republic	X	X	X	X
Ecuador	X		X	X
El Salvador	X	X	X	X
Guatemala	X	X	X	X
Guyana	X		X	X
Haiti	X	X	X	X
Honduras	X	X	X	X
Jamaica	X	X	X	X
Mexico				X
Nicaragua			X	
Panama	X		X	X
Paraguay			X	X
Peru	X		X	X
St. Lucia			X	
Suriname		X		X
Uruguay				X
Venezuela				X
Caribbean regional	X	X		X
PACAMS				X
ROCAP	X			
LAC regional	X	X		
Near East Europe:				
Austria				X
Cyprus		X		

Footnotes at end of table.

COUNTRIES PROPOSED TO RECEIVE DA, ESF, PUBLIC LAW 480 AND MILITARY ASSISTANCE IN FISCAL YEAR 1984—Continued

Country/region	DA	ESF	Public Law 480	Military assistance
Egypt		X	X	X
Finland				X
Gaza			X	
Greece				X
Iceland				X
Israel		X		X
Jordan		X	X	X
Jordan West Bank			X	
Lebanon		X		X
Morocco	X	X	X	X
Oman		X		X
Portugal		X		X
Spain		X		X
Tunisia			X	X
Turkey		X		X
Yemen	X		X	X
Yugoslavia				X
Near East regional	X	X		

[1] Sahel countries.
[2] South Pacific nations which receive military assistance include Fiji, Tonga, and Papua, New Guinea.

Senator SARBANES. Can we get that on the public record on the Egyptian aid? The other questions I could get in writing.

The CHAIRMAN. Yes; certainly. Let's confine it to that, then. We have nine witnesses still to go this morning, so I know that Mr. McPherson will make it concise. Expand it, certainly, for the record, but give us some feeling now. It is an important question.

Mr. MCPHERSON. The Egyptian program is in excess of $1 billion a year. This represents a tremendous amount of money that has been provided to that country in a very short period of time. We began the program several years ago and began providing that much money immediately. The Egyptian Government, over the years, has not made as many really hard economic policy decisions as we and other donors have urged them to do.

My principal discussions when President Mubarak was here, and during my trip to Cairo a few weeks before that, were on an ongoing concern of mine: How to insure that our program really has lasting economic impact, and how to have projects that are economically viable.

The main discussion when President Mubarak was here was a major sewer and water project for much of the country, with the Egyptians putting in major additional amounts of money of their own. These discussions, again, centered on the long-term economic viability of that project. It was a very intricate problem, and I would like to provide those details to you.

But I think I sense a world of difference—well, that is maybe too strong—but I sense some real difference in the willingness of the Egyptian Government today to deal with hard economic decisions as opposed to 1 year ago.

[The information referred to follows:]

DISCUSSIONS WITH EGYPTIAN OFFICIALS

We did have a series of meetings with the Minister for Investment and International Cooperation, the Minister of Economy and Foreign Trade and the Minister of Planning. Additionally, I participated in several meetings with President Mubarak.

Essentiallly we discussed two topics in these meetings. The first concerned the economic policies the government plans to pursue to address balance of payments and budgetary problems being faced by the Egyptian economy. In particular, we emphasized the importance of price reform, especially for energy and agricultural commodities, and a reduction in budget subsidies.

Secondly, we discussed the new Egyptian five year investment plan and the priorities for the allocation of AID funds. It was agreed in principal that we should assign highest priority for AID funding to water and wastewater systems improvement and to the industrial and agricultural production. Further, with regard to water and wastewater, AID agreed to give sympathetic consideration to the allocation from expected availabilities of up to $1 billion over the next five years for this purpose. It was agreed that particular attention would be given to the needs of the urban populace in Cairo, Alexandria and the Canal Cities. For its part, the Government of Egypt agreed to provide adequate authorities to the water and wastewater institutions to effectively implement the investment program and to operate and maintain the improved systems; to revise tariff structures to a level which, by the end of the program, would produce revenues equal to the operation and maintenance requirements of the system plus depreciation adjusted for inflation; to permit the water and wastewater authorities to retain all tariff revenues; and to provide sufficient budgets to the water and wastewater authorities to cover O&M until the tariff increases fully meet these requirements. Details on these undertakings remain to be fully worked out.

Senator SARBANES. Thank you.

The CHAIRMAN. Thank you very kindly.

Senator Mathias?

Senator MATHIAS. Mr. McPherson, this chorus of praise, this bipartisan chorus of praise for you is music to my ears. Voltaire once said that when a man has children, he gives hostages to fortune. I think the same thing might be said of nominees whom a Senator sponsors: You never know exactly how they are going to work out. So I am pleased that in your case it has worked out very well and successfully, and I take some pride in it as a fellow Marylander.

Mr. MCPHERSON. I appreciate that, Senator.

Senator MATHIAS. Let me get on quickly to just a few questions. I notice that you have been able to hold the population programs at a level base for this year, actually, I think, a .6-percent increase, which is not much of a tilt off of level.

First, I congratulate you because I know that there was at one time a disposition in the administration to eliminate the population program. So I think it is extremely important that you have been able to hold the base.

Having congratulated you, let me say that I have just come—in fact, the reason I was so late in getting here, I have just come from the Judiciary Committee where there is pending an immigration bill. In that committee we get exposed to the world statistics, the kind of pressure that is building up on the United States both for legal immigration and for illegal immigration.

So the United States does not have a disinterested view and should not be uninterested in the population problem because we are immediately and directly and urgently feeling the pressures of the growth of world population. It is not just something that is happening on the other side of the world in another continent, in another climate; it is something which affects us.

So I hope that you will not only be able to defend the level funding of population programs but that you will be able to make it perfectly clear the interest we have in them.

Mr. MCPHERSON. Thank you, Senator. The nearly 4 percent annual rise in population in recent years in El Salvador underlines your point.

Senator MATHIAS. That is right, and that pressure was immediately translated to pressure on our borders.

Now, I notice that you have followed the time-honored practice of underfunding hospitals and schools abroad. Do you expect us to follow the time-honored practice of revising that figure?

Mr. MCPHERSON. Senator, I guess it wouldn't be a surprise to me if you were to increase that figure. I don't mean to be facetious about this because I am aware, of course, of the interest in this program. I do think that the program doesn't have as direct a benefit for the poor majority which we are working with primarily as many other programs. I think that, on a relative scale, if we didn't watch it, if we came in with a higher request, we might end up with more than $20 million.

I am not trying to be cute, but——

Senator MATHIAS. No; but this is a see-saw and it is really not a very good practice. I am not blaming it on you because it has been done for years and we play a kind of a game with this thing where OMB budgets a low figure and then Congress boosts it up.

Mr. MCPHERSON. In all candor, perhaps what we should really do in the next few months is talk about this budgetary item and think about what we need to do in 1985. We are very anxious not to get more appropriated than we got in the past, and I know the tremendous political pressure on this item. I could really see that if we came in with a higher request level and the system says, "Gosh, we need $30 million or $40 million for American schools and hospitals," then I think that would be a misallocation of our resources.

The Appropriations Subcommittee in the Senate is interested in this item as well. I think it is time that we really talk candidly about how to handle it over the long term. I look forward to talking with you about it.

Senator MATHIAS. I think that is right. I think Congress is not without blame in this, because I think sometimes members posture about how they have been able to vastly increase these funds—and they are vastly increased—but it is too important a subject on which to posture.

One other question: The world population program, as I commented, is level. Unfortunately, it is level at about half of what the Global 2000 report said was needed. Now, the same concern exists for the health programs, where you were not able to keep it level but where you have an almost quarter reduction. As I recall the Global 2000 report, it called for an expenditure of around $200 million. Here again you are at about half of the recommended figure and a quarter below what you were last year.

On what basis is that reduction made?

Mr. MCPHERSON. We have put together what I think is a very excellent health policy paper, a policy paper which has been roundly applauded for its basic thrust.

Perhaps we have not sent that to you yet, but I would like to do that, Senator, because I think you would find it very interesting. In it, we emphasize primary health care, the barefoot doctor concept, and that you cannot build hospitals in downtown cities for the urban middle class but that our money ought to go to primary health care.

In the primary health care effort we are willing to provide some medicines and commodities up front, but we want to be in a position where we can cut back on that aspect very early, with the local government, in combination with the beneficiaries themselves, providing those medicines.

That is something of a contrast from past programs, where there were quite a lot of medicines paid for over longer periods of time. I think there is now a general perception that such an approach was a mistake. This perception is held not just within AID, but among health officials, generally. With this new approach, in short, our real costs for health have dropped to some extent.

Now, over and above that, we forward-funded about $21 million in health projects last year. Perhaps we should have anticipated last year that the Congress was going to give us more than what we asked for. But the net effect is that, this year, we do not have enough projects lined up to account for anything beyond our request level. As we pooled our health projects from all our missions and bureaus, we had only $87 million worth of requests for health funds. At that point I said, "Wait a minute, that is simply too low, we cannot ask Congress for that small an amount." That is why you now have a figure of $100 million before you; I directed my staff to go out and develop additional health projects.

I am not sure just exactly why, but in recent years—it really started before I got here—there has been less interest in health, as opposed to other areas, in the countries we assist. There is some dispute as to why this is exactly.

But, I want to tell you that I am committed to the continuation of a strong health program. There are some new initiatives that we have put in place that may, over time, address this situation. We believe that AID is in a unique position to do some biomedical research on tropical diseases. Just in the last few months we put a lot of money into work on a malaria vaccine, and other biomedical research priorities have been drawn up, which we are going to be funding in the months ahead.

In addition, I think that oral rehydration therapy is dynamite. I think there is more potential to reduce child mortality as a result of oral rehydration than anything that has come along for a long, long time. The payoff from a combination of oral rehydration, some immunizations, and other measures is substantial. We think, for example, that child mortality in some countries can be reduced by as much as 25 to 30 percent as a result of oral rehydration.

We have a worldwide conference on oral rehydration that we are sponsoring for health ministers and senior health personnel here in June. We are making a big effort to push this therapy.

Now, in time, oral rehydration may require more money, but I do not think we want to automatically throw money at health problems, and I know that you are not suggesting that. But, what I want to say to you is that, given what we have now, we think that

the health budget is reasonable. I want you to know that I am committed to continuing our health effort. If our projects suggest that more money is needed in the future, we will come up with more money.

Senator MATHIAS. Thank you, Mr. McPherson. We will continue to look at this and to talk with you about it.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very kindly.

Senator Pell, you had some further questions?

Senator PELL. I have two brief questions.

First, among your responsibilities, you are an Acting Director of the IDCA and have served in this acting capacity for a couple of years. I recognize the benefits of it because you have direct access to the White House, which I like. As you know, I have reservations about IDCA itself. When do you believe it appropriate to seek Senate advice and consent for this position?

Mr. MCPHERSON. The IDCA position has been one of great value to me and to AID. It has meant that we have been able to have an input into situations like the early-warning system where, for example, our mission in Kenya sees, say, a World Bank loan coming in, and says, "Hey, wait 1 minute, that does not work, there are some problems." That opinion comes back to us and we then pass it on to the U.S. Executive Director of the World Bank. The executive director, who falls within the IDCA purview, goes in and provides our input to the Bank. This is a system that was never there before. It is not yet functioning in exactly the way I want, but it is coming along.

We are having some real input and that is a direct result of my having the IDCA title. I think it makes the whole bank system work better.

Senator PELL. My question is when should it cease being acting and when should it be sent up, or should we leave it as it is?

Mr. MCPHERSON. The Secretary was asked that by Congressman Zablocki at his hearing a couple of days ago and the Secretary, in effect, said, "We believe that the function is important, we are pleased with what McPherson is doing, and we are thinking it through and we will consult with you before we do anything."

Senator PELL. Just leave things alone.

The other question I wanted to ask is in connection with the new commission that is being set up and chaired by Frank Carlucci. What is the basic purpose of this commission membership?

Mr. MCPHERSON. We believe this commission can play a very important function in sorting through the broad issues on foreign assistance, both economic and military. We think that the commission must not be just another group of academics thinking through what would be an ideal world, but must work very closely with Congress. The commission must take a short-term view perhaps, but also take a look at what we are going to do in the next 2 or 3 years and the next 5 or 10 years, so as to come up with some practical thinking about how to handle foreign assistance within the administration and within Congress. We are looking at this commission as a means of pulling in people who are not going to automatically say that the administration's view is just what they want.

Senator PELL. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

We have taken quite a bit of time this morning, but it is a $4.8 billion program, and I guess it is worthy of that time. Thank you very much.

Because of the time restraints we have, and with nine witnesses left, we are going to have to take them in panels. I would prefer to have taken our next witnesses as individuals, but if Loret Ruppe could joint the panel with Secretary Newell and Ambassador Mittendorf, we would appreciate it.

Ms. Ruppe, I believe you will be the first witness in this panel. We welcome you very much indeed to this committee. We are delighted to have you with us. If you would care to begin your testimony.

STATEMENT OF HON. LORET MILLER RUPPE, DIRECTOR, PEACE CORPS

Ms. RUPPE. Thank you very much, Mr. Chairman and members of the committee. It is a pleasure to be here before you today in support of the administration's request that you authorize appropriations of $108.5 million for the Peace Corps for fiscal year 1984 and such sums as may be necessary for Peace Corps operations in fiscal year 1985.

Because of the time constraints I would like to condense my statement, and ask that my complete statement be submitted and placed in the record.

I am extremely proud of our 5,000 volunteers who have served in 62 countries around the world. They have had a very productive year. Many of their efforts are detailed in my prepared statement.

We went through a reorganization this year and formulated several major initiatives addressing training, management, overseas programing, private-sector development, increased public awareness of the Peace Corps, strengthening volunteer recruitment, expanding collaborative efforts with other Federal agencies and private voluntary organizations, and increasing volunteer assistance in food and energy areas. This is our forward plan, and I am proud to report that we have implemented many aspects of it.

To begin with, in our endeavors to promote economic development and self-sustaining productive capacity, we have initiated special projects in all three of our regions. Many of those projects are detailed in my statement.

To assist overseas posts in designing projects and training volunteers in the areas of small-business development, a competitive enterprise development sector has been added to Peace Corps' programing and training. We have worked with several organizations, and have signed memorandums of understanding with two in particular: the Small Enterprise Development Center and the Greater Washington Bureau of IBERO-American Chamber of Commerce, as part of our outreach to the private sector.

I am pleased to announce that Peace Corps volunteers will arrive in Haiti by this summer, and an initial contingent of volunteers will arrive in Burundi in June 1983.

One of our major efforts this year has been to increase collaborative efforts with other Federal agencies and private voluntary organizations. I would like to personally commend the tremendous support that Peter McPherson at AID has given in this collaboration.

I am pleased to inform you that early this year we joined with USAID in a small-projects assistance program, the details of which are in my report. We think it will definitely expand our direct help into the villages around the world. We are also working on joint disaster relief conferences which will increase the capabilities of our volunteers in this area and bring back to the United States a valuable resource. We are working on tighter management at all times, and many areas of this are listed.

I would be remiss if I did not bring up our Women in Development component. We are very proud to be celebrating the tenth anniversary this year of the bill that you, Senator Percy, sponsored to emphasize Women in Development, and we have done everything in our power to implement the objectives that you strongly set forth at that time.

Despite our excellent recognition overseas—for example, we just received the Golden Heart Award from President Marcos in the Philippines, the highest award that the Philippines has ever given to any foreign organization—we still find that in this country a real lack of public awareness of the value of our program exists. I have spoken throughout the country to inform the American people that the Peace Corps is alive and well and needed more now than ever.

President Reagan's strong emphasis on voluntarism has certainly helped generate a higher number of requests for information on our program. Last month we received 7,000 inquiries on our WATS line, the largest number of calls per month in the past years. We are very pleased that Senators and Congressmen have mentioned us in their newsletters, and on their radio programs, and this all helps attract talented, skilled Americans to the Peace Corps.

In summary, I am very pleased to inform you of the Peace Corps' forward strides this past year and our plans for fiscal year 1984, and we look forward to continuing the tremendous success of one of our greatest American programs. Thank you. I look forward to any questions.

[Ms. Ruppe's prepared statement follows:]

PREPARED STATEMENT OF HON. LORET MILLER RUPPE

Mr. Chairman, members of the committee, it is a pleasure to appear before you today in support of the administration's request that you authorize appropriations of $108.5 million ($108,500,000) for the Peace Corps for fiscal year 1984, and such sums as may be necessary for Peace Corps operations in fiscal year 1985.

I am glad to report that the Peace Corps' 5,000 volunteers serving in 62 countries have had a very productive year.

For example: 1,500 volunteers provided technical assistance in a variety of agricultural and rural development projects, helping small farmers learn to manage their crops and raise livestock more efficiently. Peace Corps volunteers also taught fisheries development, which provided a source of food/protein as well as income to rural communities.

Also, 165 renewable energy/appropriate technology volunteers worked full-time on energy conserving stove, charcoal production, solar food drying, and biogas production. Another 475 volunteers worked in the same areas in secondary projects to complement their existing job assignments.

Also, 200 volunteers served as planners and supervisors of the construction of small dams, spillways and irrigation canals in rural areas, also providing assistance of potable water systems. Their work has enabled poor rural communities to administer their own water resources, and to maintain a purified water system long after the PCVs have gone.

And 1,000 volunteers worked on health education and community health organization; 200 volunteers assisted in developing village sanitation systems. These efforts increased the ability of communities and individuals to meet their own health and nutritional needs in a self-reliant way.

Our fiscal year 1984 request is for $108.5 million. We are currently funded at $109 million under the continuing resolution passed by Congress in late December. The vast majority of our resources—80 percent of the Peace Corps' proposed FY 1984 budget—are dedicated to the direct support of our overseas volunteer operation.

In 1984, we will continue to improve the quality of our programing, as well as our procedures for recruiting, selecting, training, and placing volunteers. Because of the relatively high number of new trainees placed overseas in 1982 and 1983 (2,862 and 2,950 respectively) who will continue to serve as volunteers in 1984, the majority of resources requested in 1984 will directly support volunteers already overseas. The requested budget authority will fund approximately 2,500 new volunteers in 1984.

The first Peace Corps volunteers will arrive in Haiti by this summer and will be providing technical assistance in the areas of agro-forestry, fisheries, and vocational education. An initial contingent of volunteers will arrive in Burundi in June of 1983—their efforts will be directed toward water resources development, forestry, and small-scale agriculture. We are also considering programs in other countries.

Our volunteers serve to promote world peace and friendship; to help others meet their own goals of self-sufficiency; to bring back to this country a cultural awareness of the people served, and to bring to the host country an understanding of American culture. These are the three goals of the Peace Corps, and over 90,000 returned Peace Corps volunteers have proven that the Peace Corps is a continuing success story.

Since Peace Corps was reestablished as an independent agency in February of 1982, we completed a reorganization. We formulated several major initiatives addressing training, management, overseas programing, private sector development, increased public awareness of the Peace Corps, strengthening volunteer recruitment, expanding collaborative efforts with other Federal agencies and private voluntary organizations, and increasing volunteer assistance in food and energy areas. This package of initiatives became known in our agency as "the forward plan."

The forward plan was designed with the following aims in mind:

Promoting economic development and self-sustaining productive capacity among developing nations, especially in the areas of food and energy.

Developing joint programs which build mutually beneficial and appropriate relations with U.S. private sector entities and with appropriate Federal and international organizations in the developing world.

Increasing efforts to develop new or improve the functioning of existing free market mechanisms and build local initiatives in the developing world.

The forward plan set out 3-year goals with specific objectives and methods for reaching these objectives. I am pleased to report that within the framework of the forward plan, we have achieved several accomplishments on schedule. Today I would like to discuss with you our progress on the initiatives we began last year, and our plans for the coming year.

PROGRAMING

To begin with, the forward plan, as I mentioned earlier, endeavors to promote economic development and self-sustaining productive capacity. The following programs furthered this goal in the North Africa, near East, Asia, and Pacific (NANEAP) region:

The Philippines income generation program increased 50 percent. Volunteers supported government and private sector efforts to develop more effective rural-based programs in agri-business, financing, and marketing development at the grassroots levels.

Five volunteers in Tonga did excellent work in the promotion and marketing of locally-caught fish—long an area of neglect which had resulted in the island country importing almost all of its fish needs.

Peace Corps/Micronesia's priority program in business development provided volunteer small business advisors who improved management, marketing, and purchasing procedures of numerous local businesses.

In the Cook Islands, volunteers in the business education project organized a bank training program and developed a curriculum for bank personnel.

Nepal volunteers contributed to the self-sufficiency of villages in food production and improved the business techniques of small farmers through instruction in fish culture methods, improved seed production and storage techniques, and financial loan procedures.

In the Inter-American region:

In support of the Caribbean basin initiative, a country-by-country survey of potential income-producing projects was conducted. Following this, an implementation plan was written which focused primarily on small and medium-scale agribusiness development and technical assistance to small business groups. Before the year ended, a complete inservice training model was designed to train Peace Corps volunteers on how to do pre-feasibility evaluations and business plan development.

In April and May, Peace Corps volunteers in the eastern Caribbean, Dominican Republic, Belize, Costa Rica, Guatemala and Honduras will receive the inservice training course. The Peace Corps volunteers will then begin immediately to work with host country officials and farmers groups to develop prefeasibility studies, feasibility evaluations, and business plans for promising agrienterprises. The target is the completion of prefeasibility assessments on 120 project ideas and completion of at least a dozen full feasibility assessments and business plans with an estimated potential capital investment of from $8–$12 million.

In the Africa region, we piloted new projects in several countries, including:

Marine fisheries in Sierra Leone, village women's cooperatives in Tanzania, woodstoves/energy conservation in Upper Volta, and agroforestry in Kenya. We also expanded ongoing projects in several countries, including: Zaire (especially in health, water systems development, appropriate technology, and education); Kenya (water development, fisheries, rural women's extension, and education); Central African Republic (rural primary school health and education); and Gabon (well digging/hand pumps, AG extension, and non-formal education.)

Our plans for new projects for the coming year include:

Energy projects in Western Samoa, where volunteers will help construct windmills for generating electricity and pumping water.

Fisheries projects in Peace Corps/Fiji, where volunteers will help local farmers generate income and employment in rural communities.

Construction of new irrigation systems in Yemen to advance food self-sufficiency of rural communities.

Increased emphasis on food production for consumption and for income generation in Peace Corps/Thailand. The agriculture and rural development projects will be integrated to an unprecedented extent, both with each other and with the operations of Thai and United States agencies.

Increased concentration by our volunteers in Peace Corps/Papua New Guinea's agriculture program on improving the management and marketing skills of rural farmers. This will allow more individuals and communities to enter the cash economy.

Self-help efforts on all seven of Tuvalu's outer islands, including projects in agriculture, vegetable production, and water sanitation. Building local initiative will be a major focus.

A new fisheries project in Tunisia, including a component in marketing management to help develop the market for fish there.

Agriculture, health, and education projects in Burundi, which we are entering this year; beekeeping and rice production projects in the Central African Republic; forestry projects in Cameroon; rehabilitation projects for the handicapped in Malawi.

Fisheries, small business development, soil conservation, and water projects in Lesotho; communicable disease control in Liberia; community development in Mali; appropriate technology cooperatives in Senegal.

Housing projects in Costa Rica, where Peace Corps will work with the Costa Rican National Housing Agency to help build 300 houses in six different rural sites.

TRAINING

Another of the goals of the forward plan is to develop an effective and efficient training strategy for Peace Corps staff and volunteers. This past year Peace Corps expanded its agricultural programs into the areas of post-harvest storage, processing, and marketing. This expansion into post-harvest aspects of agriculture is intended to allow farmers to make better use of markets to provide incentives for increased, self-sustaining productive capacity. For this purpose, several new types of

training were utilized. For grain storage volunteers (such as our new Peace Corps volunteers in Tanzania), our Office of Program Development worked with Kansas State University and signed a contract with USAID to develop technical preservice training for those volunteers. The Office of Program Development has also worked on developing in-service training in the areas of agriculture marketing/income generation, crop storage and drying, and irrigation.

Through the information collection and exchange unit (ICE) of the Office of Program Development, volunteers and staff were provided with relevant technical information to carry out volunteer objectives.

To assist overseas posts in designing projects and training volunteers in small business development, a sector on competitive enterprise development was formed in the Office of Program Development. This sector will provide increased programming and training opportunities by increasing its interaction with private volunteer organizations and other organizations such as the Small Enterprise Development Center and the Greater Washington IBERO-American Chamber of Commerce.

We set up an experimental sub-regional training center in Jamaica to train volunteers for Jamaica and the eastern Caribbean. The center began operations in April of 1982, and over 90 volunteers were trained during the last two quarters of fiscal 1982. In fact, all technical skill training for Inter-America (with the exception of fishery training) was moved into the region. This is 30 to 40 percent less costly than stateside skill training.

We have developed, and have in place, a training program regarding the philosophy, strategy, tactics, and menace of communism as mandated by section 8(c) of the Peace Corps Act. We will soon implement a revised program in this area, which, we expect, will improve this training.

The Office of Training Management Coordination (OTMC) is coordinating an in-depth analysis of staging programs in order to recommend the most effective and cost-efficient staging models. It is also developing an integrated training system which will enable us to evaluate volunteer training.

For next year, the Peace Corps will continue to place emphasis on the forward plan's goal of promotion of economic self-sufficiency and the development of free market mechanisms. To fulfill these objectives, we will add several in-service training programs (in the area of improved irrigation, in Kenya and Honduras, for example). Training in power generation systems (photovoltaic and microhydro) and wind systems will be added to the current array of training in renewable energy technology (energy-conserving stoves, charcoal production, solar food preservation, and solar water distillation).

And of course, in 1984, training activities will continue to include language instructions, technical and crosscultural skills, and use of core curriculum manuals, a standard set of training curricula essential to all volunteers regardless of assignment. Peace Corps training does not end with the placement of the volunteer. After placement, training continues with an array of skill-building programs tailor-made to help the volunteer deal with circumstances that could not be anticipated during the pre-service period.

COLLABORATION WITH OTHER FEDERAL AGENCIES AND PRIVATE VOLUNTEER ORGANIZATIONS

One of our major aims this past year has been to increase collaborative efforts with other Federal agencies and private voluntary organizations. In conjunction with our forward plan goals, we have accomplished the following:

1. Volunteers in Tunisia assisted in the pilot phase of a renewable energy project funded by USAID and implemented by NASA. These volunteers helped install two solar greenhouses, wind-powered pumps, and a photovoltaic power system. When the system is completed, villagers will be taught greenhouse vegetable production for truck farming.

2. Volunteers in Tuvalu worked closely with Save the Children Foundation in projects to assist the local population achieve self-sufficiently through the development of cooperatives and instruction in improved agricultural techniques.

3. Volunteers in Morocco, working with equipment supplied by UNICEF funds, began a new program to rehabilitate wells throughout the country and propagate the idea of pump and water system maintenance.

4. Village self-sufficiency was promoted by Solomon Islands volunteers working on community development activities such as installing potable water systems and enhancing agriculture and vocational education activities. Funds for many of these projects were supplied by USAID.

5. In Central African Republic the Peace Corps signed an agreement with USAID and the host government to implement a $1 million agriculture sector program.

6. In Zaire, volunteers utilized USAID "improved rural technology" funding to expand their appropriate technology activities into toolmaking and leather tanning.

7. In Togo, the animal traction, ag education, and water/sanitation projects all received support and funding from USAID.

8. In Costa Rica, in collaboration with USAID, the design and planning was completed for a low cost self-help housing program. The Peace Corps will work with the Costa Rican National Housing Agency to help build 300 houses in six different rural sites. AID has committed $300,000 for building materials, and approximately 14 volunteers have been recruited to work in the project starting this March.

9. In the Dominican Republic, work is continuing during 1983, on a successful swine repopulation project in cooperation with USAID. Volunteers are distributing pigs to cooperatives and training farmers in proper pig management.

10. In Ecuador, Peace Corps is working in conjunction with the Inter-American Development Bank, USAID, and the Ministry of Agricuture to assist the 4-F Foundation in providing rural youth with enhanced earning skills.

11. In Jamaica, USAID provided $50,000 (JA) in small project funds for small business income-generating projects by volunteers.

12. In January of 1983 an agreement to collaborate with the Greater Washington IBERO-American Chamber of Commerce was signed. Plans call for volunteers to work with chambers of commerce in South America, Central America and the Caribbean in a project designed to provide technical assistance to small entreprenuers.

13. A collaborative arrangement has been worked out with the U.S. Department of Commerce's National Technical Information Service (NTIS). Plans call for volunteers to assist in disseminating technical information specifically prepared to assist developing countries. Volunteers' initial efforts will be concentrated in Central America but will later be expanded to the Caribbean and South America.

We look forward to continuing our mutually beneficial relationships with USAID and private voluntary organizations. We look ahead to expanded use of participating agency service agreements (PASA), particularly for providing in-service technical training.

I am pleased to inform you that early this year we joined with USAID in a small projects assistance program. Our country directors in each of the 41 countries where there is joint Peace Corps/AID presence will have funds available to support local, low-cost, self-help projects, identified and assisted by Peace Corps volunteers, in the areas of agriculture, energy, and competitive enterprise development.

This March, a joint Peace Corps/USAID disaster relief conference will be held in Kenya. Similar joint conferences took place this past year in Quito, Ecuador, Barbados, and the Philippines with USAID's technical and financial support.

This coming year we will be exploring joint funding, administration, and programming with USAID for new programs when we enter Burundi in June of 1983. Furthermore, the Peace Corps operations in most of the South Pacific countries—Fiji, Tonga, Western Samoa, Kiribati, Papua New Guinea, Solomon Islands—plan to utilize to a greater and more effective degree the funds available through the accelerated impact program (AIP) of USAID.

In Morocco, Peace Corps will begin to supply volunteers to a large USAID project in range management with the goal of increasing cattle production capacity.

A major goal of Peace Corps/Philippines is to establish closer collaboration with the United States and Philippine organizations—including the Philippine Rotary Club, the U.S. Chamber of Commerce, and the Philippine Chamber of Commerce—in projects which emphasize the capacity-building processes of rural development toward self-reliance.

MANAGEMENT

In the year since the Peace Corps' reestablishment as an independent agency, we have exercised considerably greater management control over the various support services provided to our program overseas. Given the highly decentralized nature of the Peace Corps' overseas operations, a major responsibility for this year and next is to improve support for country directors and to strengthen their management capabilities. We have already taken a number of steps to implement this policy:

Each country director candidate is thoroughly screened for administrative management skills during separate interviews with key management officials, including the Associate Director for Management.

Administrative training for country directors and their associate directors has been greatly improved and extended. The design and presentation of this training

directly involves Peace Corps line management at headquarters. In addition, this year we will be working to integrate more fully administrative training into the overall training program for overseas staff and we will be developing follow-up, administrative training for overseas staff.

Plans for next year include:

A new administrative intern program which will provide a cadre of highly-qualified administrative officers to overseas post. Interns will work in a series of headquarters and field assignments on a rotational basis before being assigned for full tours to posts which have incurred special administrative management problems.

The completion of the revised Peace Corps (operations) manual which provides management policy and procedural guidance to our staff—the first major revisions to the manual since 1976.

Improvements in our overseas audit program, including both a reduction in the time between audits from an average of once every 46 months to once every 30 months, and a revised audit approach. We will focus not merely on problem identification but on development of a positive joint plan by auditors and country directors for resolving problems. Auditors will also provide on-site technical assistance, going beyond the past methods of simply compiling a list of negative findings.

During fiscal year 1984 we will endeavor to provide each overseas post with a desk-top computer. This will produce significant benefits for financial management, inventory and property control, and volunteer recordkeeping.

By fiscal year 1984 we will also be conducting our country program review process, an evaluation tool which will provide country directors and others with solid information with which to assess and improve country program operations. This country program review process involves all groups affected by the Peace Corps in each country—the volunteers and staff as well as host country counterparts and ministry officials.

Although most of our management emphasis is, as you can see, focused on support of overseas operations and staff, we do have several management initiatives targeted primarily at headquarters operations:

We are examining various options for improving the cost-effectiveness of headquarters functions, particularly in areas of accounting and computer services.

We will improve our systems of internal control to ensure that commercial and industrial goods and services are provided by the private sector wherever this is appropriate and more cost-effective.

We are improving our management information systems to provide more current data to headquarters on volunteer assignments and activities and on overseas staffing patterns.

Finally, we are continuing to reallocate positions where feasible from Peace Corps headquarters to our country posts to assure that priority is given to overseas staffing needs.

OFFICE OF PRIVATE SECTOR DEVELOPMENT

This past year Peace Corps established an office of private sector development. That office enjoyed a productive first year, initiating contacts with corporations and foundations to inform them of how they might share in the worthwhile goals of the Peace Corps.

During 1982, the Apple Computer Company donated $8,000 in computer equipment and services to be used in a training program in Botswana, Africa. An agreement was reached with Teacher's College of Columbia University on a joint venture to recruit and train volunteer teachers who will serve in the fields of math, science, and health while earning credit toward graduate degrees. An agreement was finalized with the International Executive Service Corps to work on a collaborative project for management training of associate country directors. The RCA Corp. reprinted for distribution two stories from its employees' magazine showing how service in the Peace Corps enhances a job applicant's employment possibilities.

The total pledges/contributions increased 80 percent over 1981 in the partnership program, amounting to a figure of over $75,000.

During 1983, the office of private sector development intends to expand its corporate contacts and continue to inform the private sector of Peace Corps activities, and of the wealth of experience in developing countries that returning Peace Corps volunteers bring home.

WOMEN IN DEVELOPMENT OFFICE

1982 also saw the creation of a Women in Development Office (WID) to recognize the contributions of women in the developing world and to call for greater aware-

ness of women in program development. Also, a women-to-women partnership program was created, to promote self-sufficiency through small businesses which are developed by using seed money offered by the United States partner. As a result, a wheelchair production business for Morocco's handicapped has been funded, as has a sewing cooperative which produces blouses in Honduras, and a canning and food processing plant in Costa Rica, all owned and operated by women.

In September 1982 the newly-created Women in Development Office at Peace Corps hosted a symposium at the White House attended by approximately 300 participants from both public and private sector to emphasize the Peace Corps' commitments to recognizing the contributions of women in the developing world.

Next year, Peace Corps will seek to encourage development programing that fully reflects the role of women in developing countries. We will continue to encourage private sector development through our women-to-women partnership program.

RECRUITMENT AND PLACEMENT OF VOLUNTEERS

Since last year, the Peace Corps has endeavored to streamline its processes for matching the thousands of requests for volunteers overseas with the many Americans who want to serve. The following improvements in recruitment efficiency have been made:

1. Field service centers can now communicate directly with the computer bank which lists all available openings for volunteer service abroad. This on-line capability significantly improves our ability to respond to applicants regarding the kinds of volunteer positions which might be open to them.

2. An automated cost accounting system now helps the Peace Corps to identify which techniques are best for locating volunteers with skills which are in high demand overseas.

3. A paperwork management analysis of our recruiting processes has led to greater use of computer generated reports and microfilm to manage the flow of the 18,102 applications received in the 15 month period.

Future plans for recruitment call for further automation in our 17 domestic field locations. This will allow us to correspond more quickly with applicants and to help speed them through the clearance process.

We are continuing to develop our outreach strategy designed to generate broad-based leadership support among state and local governments, corporations, universities, foundations, and professional associations to assist in identifying and recruiting candidates who would represent the diversity in skills of the American people.

With regard to selection and staging of volunteers, Peace Corps candidates are screened and receive initial introduction to the Peace Corps core training curriculum prior to overseas departure.

Approximately 650 candidates will go through the Center for Assessment and Training (CAST) in fiscal year 1984. This 8-day program is a screening tool which is scheduled prior to invitation to the Peace Corps, particularly for potential PCVs who may be assigned to the most difficult Peace Corps posts. CAST replicates actual situations and experiences that volunteers are likely to encounter overseas, and their responses and total performances are judged prior to their selection as volunteers. Based on past early termination and performance data, host country background information, and Peace Corps country staff judgment, carefully selected countries will utilize this approach to training and selection.

Recently the Center for Reassessment and Training (CREST) program was developed. CREST is a 5-day program which includes the training components of the CAST, but is provided after the volunteers are already selected, prior to their departure overseas. It offers the trainees an opportunity to reassess their 2-year commitment to Peace Corps, while undergoing training designed to introduce Peace Corps training curriculum. Since its inception in August of 1981, 1,813 trainees have participated in the CREST program, and 1,120 candidates are expected to participate in 1984.

The remaining trainees (approximately 1,000) will attend the traditional 3½ day staging. However, this program is being redesigned to introduce more effectively the Peace Corps core training curriculum. This program serve the needs of countries not requiring the more rigorous CAST or CREST program.

The placement unit of the Peace Corps was responsible for placing 2,863 new volunteers into overseas assignments during fiscal year 1982. This figure was up from 2,695 in fiscal year 1981.

In fiscal year 1983, about 2,950 volunteers will be assigned overseas. In fiscal year 1982, the placement unit was substantially more successful in responding to over-

seas requests, and were able to fill 72 percent of requests, up from 60 percent in fiscal year 1981.

It is anticipated that about 2,500 new volunteers will be placed in fiscal year 1984.

PUBLIC AWARENESS

Despite our excellent recognition overseas, a lack of public awareness of the Peace Corps has existed in this country in recent years. I have spoken throughout the country to inform the American people that the Peace Corps is alive and well, and needed now more than ever. New public service announcements focusing on the individual skills and talents of particular volunteers have been produced and appear on television stations across the country. Several Congressmen and Senators have generously given us space in their newsletters so that their constituents could be reapprised of the Peace Corps. Other legislators have written about us in their hometown news columns, and spoken about us on radio programs. This has evoked considerable interest in the Peace Corps, and we are very grateful to you in the Congress for your efforts.

CONCLUSION

In summary, I am very pleased to inform you of the Peace Corps' forward progress this past year, and our plans for fiscal year 1984 under the administration's request of $108,500,000. It was been an exciting and fulfilling year for all of us, and I am confident that we will continue to reach the goals we set out for ourselves in the forward plan. I am grateful that many of you took the time this year to visit a Peace Corps project. I hope even more will stop at a site in the near future. Our volunteers will welcome you, and demonstrate how effective, or should I say cost-effective, our program is. Thank you for the opportunity to appear before you today on behalf of the Peace Coprs.

The CHAIRMAN. Thank you very much indeed.

Why do we not start out with a housekeeping question? What has transpired since the separation of Peace Corps from ACTION? We could only guess as to how that would work—whether it would cost you more money and be more efficient or less efficient. Could you estimate the savings, if any, to the Peace Corps as a result of this separation, and tell us how the transition has worked out?

Ms. RUPPE. Separation is now totally complete except for three minor areas. It was a quick transition, but both ACTION and Peace Corps, working together, made it a very effective one. We find that we have greater management control now, especially in terms of the volunteer delivery system.

Our placement and recruitment are now combined in one office, and I am very proud that many of our country directors are saying that the last few groups of volunteers that we have sent overseas are some of the finest that they have ever seen, and the most dedicated.

As far as the ledger side of it goes, our estimate for 1983 is for about $700,000 in savings over what we were paying prior to separation. So we see several really positive results including a minor cost savings.

The CHAIRMAN. There appears to be an ever-increasing demand for volunteers with special skills. Having been as close as I have been to the Peace Corps for the 10 years of its history, I see the upgrading of the quality of our Peace Corps volunteers as an extraordinary phenomenon and a very interesting reflection of the increased sophistication of the countries that receive them.

What skills are in greatest demand by our host countries today? How is the Peace Corps responding to the demand? And what quality of volunteers do you think you are getting now?

Ms. RUPPE. We think we are getting an exceptional quality of volunteers, in part due to the new streamlined system of recruitment I alluded to earlier. Scarce skills, which are areas that we find difficult to fill and which are in greatest demand, are in the fields of education and teaching math and science and in vocational training.

Almost any skill in agriculture is very much needed in the countries in which we work. We are continually trying to generate more people with agricultural and forestry backgrounds to join the Peace Corps. At the same time we are also trying to take a generalist, a liberal arts graduate who might have had some science background, and provide that person with specific skill training. We have an excellent regional training center in Costa Rica, which has given some tremendous training in agriculture.

I met a young woman who strode out of the hills of Ecuador who informed me she was a liberal arts graduate from Oberlin, an English major, and she had gotten every cow in her valley innoculated. So we can train Americans to be extremely effective in helping rural agriculture.

The CHAIRMAN. Could you refresh my memory on your reporting lines and how you relate to the Secretary of State, for instance? How do you work with the White House Personnel Office, et cetera? How autonomous is the Peace Corps? To whom do you report?

Ms. RUPPE. The Secretary of State overviews our program, and we work very closely with the desk officers. We find that the ambassadors overseas say that we are the most positive American presence in many of their countries. We work very closely with them.

The CHAIRMAN. Do they continue the practice I observed in our Embassies where the Peace Corps country director always participates in the Ambassador's staff meetings?

Ms. RUPPE. Yes, they definitely take part in the country team meetings, and we are working closely together. We work very closely with AID overseas and have 130 ongoing projects right now with them.

One area where we are very sensitive to, of course, is any suggestion of intelligence-gathering. So if that is discussed within the Embassy, our country director normally will not attend such a meeting, because that is an area of great sensitivity and Peace Corps remains totally separate and apart from it.

The CHAIRMAN. Separation is very important, of course. But still, informing the Ambassador and other officials in the Embassy of the needs, wants, hopes, aspirations, and attitudes of the people, to give them a reflection of the country, is an important Peace Corps function. I do not know anyone who has a better grassroots feel than Peace Corps volunteers in those countries.

Ms. RUPPE. We find that in the early years there was very little connection, but now the Ambassadors recognize and really value the work of our volunteers, and we value the support and help of the Ambassadors.

In the White House I work with Mr. Meese's office and keep him and Craig Fuller informed of our activities. With OMB we work with Dr. Keel. I ultimately report to President Reagan, of course.

The CHAIRMAN. Fine. Could you describe, because of the importance of the Caribbean Basin Initiative, what plans Peace Corps has in connection with CBI in the fiscal year 1984 budget? Do you believe that it is appropriate, in keeping with the Peace Corps mandate of addressing basic human needs in developing countries, for volunteers to conduct feasibility studies and develop business plans for agricultural enterprises as the Peace Corps plan now proposes? What results, if so, do you hope for from these projects?

Ms. RUPPE. Well, virtually everyone familiar with the Caribbean Basin recognizes the tremendous importance and emphasis that needs to be put on agribusiness development. We feel with the number of volunteers that we have working throughout the Caribbean Basin that we can capitalize on a tremendous Peace Corps strength, that we have a large number of volunteers working in agriculture with small farmers. We have Peace Corps volunteers working with small businesses to help the local villages generate productivity. They have built a tremendous feeling of trust and a working relationship with the local people.

One of the problems in the Caribbean is a lack of facility of people with small land holdings to generate a plan to find out the marketing capabilities of that plan and to link up with a loan or development bank that would loan them the money to start it. So we believe that it is very important that our volunteers be given additional training to help formulate such plans, because they are working with the people.

So we are extremely excited about what input we can have into the Caribbean Basin Initiative. We believe that we can help get projects going that will capitalize on locally-adopted but underutilized animals and crop varieties, tropical fruits and vegetables to fill seasonal gaps in North America, popular nuts, beekeeping.

All of these things are money-generating projects that will really get to the people throughout the Caribbean. So we have a pilot training program for 18 volunteers in Jamaica, featuring training by recognized commercial experts in livestock, fruits, vegetables, fisheries.

Prime Minister Seaga has called us an international perpetual-motion friendship machine. He also is relying on us to help him implement some of his plans for the economic growth of Jamaica.

The CHAIRMAN. Finally, I would like to ask you about a particular area of interest to me, as I think you know, Haiti. I have been concerned about the economic program there. I have personally seen Haitian boat people lying on the beaches and scattered to the winds. I have been very concerned about the conditions we had in U.S. detention camps. I know my distinguished constituent, Rev. Jesse Jackson, has, probably more than any other American, concerned himself with the plight of these people. He has visited the camps many times and done a great many things to try to alleviate the suffering.

Did you say that you have a new program scheduled to begin in Haiti this summer?

Ms. RUPPE. Yes.

The CHAIRMAN. What are its objectives? Are you confident that the Government of Haiti will cooperate fully with your Agency's efforts? How much money is the Haitian Government contributing to

the program? Perhaps, Secretary Newell and Ambassador Mittendorf, you could add to your comments, what conditions are with respect to Haiti now. Also, what is happening and what are conditions in the camps in this country, if any of you know? If you would like to supply supplemental information for the record, I would appreciate it.

Ms. RUPPE. Very good. We are very pleased and appreciate very much that the Government of Haiti has invited us to work with their people. Development plans for 1984 call for slow but steady expansion of our program. We are working closely with the Haitian Government. Their current requests are for technical assistance in agriforestry extension, inland fisheries, and vocational training.

We expect to send highly experienced volunteers to implement the first steps of our program. We have found that we are getting quite strong support from the government ministries with whom we are working.

We have an office in place, a staff person there, and we are eagerly awaiting the arrival of the first volunteers, who will be sworn in in June and will go immediately to work at alleviating the problems that you have mentioned in Haiti. We are very pleased to be entering Haiti.

The CHAIRMAN. Fine, thank you.

Mr. NEWELL. I have nothing to add, thank you.

The CHAIRMAN. Ambassador Middendorf, do you have any comments on Haiti?

Ambassador MIDDENDORF. No; only that from the OAS standpoint, we are very active, through IDCA, with the swine fever project down there. Also, there is a number of literacy and education programs, adult education programs, that have been initiated under the OAS down there.

The CHAIRMAN. Thank you. The former detention camp for Haitians in south Florida has now been converted to an INS processing center. A handful of Haitians remain but most of the Haitians who were detained have been released pursuant to a court order, subject to obtaining sponsors. The other detention camp for Haitians is in Puerto Rico—Camp Allen. Even there, few Haitians are being detained. In effect, there doesn't appear to be much of a problem over detention now.

I think we would be finished with Ms. Ruppe, then, when Senator Pell and Senator Sarbanes ask her questions, and then we will concentrate the rest of our time on Mr. Newell and Ambassador Middendorf. If you would confine your questions, then, to Mrs. Ruppe at this time.

Senator PELL. Two questions. I noticed the number of new volunteers is a little down from what it was before. Is that a matter of policy or coincidence? Shouldn't we be expanding the number of volunteers, rather than declining?

Ms. RUPPE. I am very pleased to say that in fiscal year 1982, and fiscal year 1983 we actually have, for the first time in many years, hit our goal for new trainees. We have actually put more volunteers in the field than in the last few years.

However, most of our budget has been at current services, and when we put more trainees into the field in 1983 it means that we

need to support them throughout 1984. So that does call for a reduction in volunteers for fiscal year 1984.

Senator PELL. The figure I have here is 2,500 new volunteers will be supported in fiscal 1984, which is down from the 2,950 in fiscal 1983. That seems to be 450 less.

Ms. RUPPE. That is correct, but the reason for that is because we are putting out 2,950 this year at the $109 million budget level, and to support them overseas means, therefore, that we can really place fewer new volunteers for fiscal year 1984.

Senator PELL. You are finding, I guess, with any bureaucracy that you have more and more of an infrastructure to support them.

Ms. RUPPE. We support them for 2 years, therefore, as many as we place this year we need to support next year. So that does require at current services a slight readjustment in the new trainees that can go out.

Senator PELL. One other question. Do you find that now that you are an independent agency, do you consider that your relationship, your separation from ACTION has strengthened or weakened you?

Ms. RUPPE. Well, looking at it, I think, and the fact that we are meeting our T input for the first time in several years, we do see a slight cost reduction, slight savings, that we really are able to have all of our sectors coordinating. Plus the fact that we now speak simply for this tremendous organization, the Peace Corps, and can get that message out, whereas before we were one of seven or eight very fine exceptional programs, also, but got kind of, I'm afraid, lost in public awareness.

We now feel that we are in control of our public awareness efforts, and that we can march forward and really apprise the American people of this tremendously valuable program.

Senator PELL. Thank you very much. Mr. Chairman?

The CHAIRMAN. Thank you. Senator Sarbanes?

Senator SARBANES. Thank you, Mr. Chairman. How many Peace Corps volunteers do we have overseas?

Ms. RUPPE. We have approximately 5,200 serving in 64 countries right now around the world.

Senator SARBANES. 64 countries?

Ms. RUPPE. Yes.

Senator SARBANES. By how much does the demand for volunteers exceed the supply, as best you can calculate?

Ms. RUPPE. Well, this year I know that we had 4,000 of what we would call solid requests, program requests, from countries around the world, and we will be able to fill 2,950 of them.

Senator SARBANES. What effect do you perceive in the developing countries, if any, of an increase in military aid to those countries on the Peace Corps program?

Ms. RUPPE. What effect do I see? Well, we only see the great needs in agriculture, in health, in teaching. We are targeted into those. One effect is that we believe it is even more important for America to be getting well-targeted program volunteers in to show a balance in both the development side and the military side. So we are trying to do ever better in our program so that we show that we are working for the economic development of the country.

So we feel we are very important in order to show that America cares and is interested in helping the country develop in health, education, business, small business, and agriculture.

Senator SARBANES. Now, in these solid requests for 4,000 volunteers—and you responded at about a 75-percent level—is that more or less consistent region by region, or did it vary by region?

Ms. RUPPE. Well, our largest region is in Africa, so our largest number of requests come from there. We are in 24 countries in Africa, and that does generate the greatest number of requests.

Senator SARBANES. Do you meet about 75 percent of those requests? Are there some regions where you meet virtualy all requests and other regions where you fall short by a much larger degree?

Ms. RUPPE. I would like to report that to you in specific detail in a written answer, but I would say that we try to allocate our resources fairly and where the need is greatest. If we really aggressively programmed—if we really went in and said we could fill all requests, we would have far more thousands of requests, I can assure you.

[The information referred to follows:]

PERCENTAGE OF VOLUNTEER REQUESTS FILLED BY REGION

[In percent]

	Africa	Inter-America	NANEAP [1]	Total
Fiscal year				
1981	61	57	64	60
1982	72	70	77	73
1983 [2]	78	67	80	75

[1] North Africa, Near East, Asia and Pacific.
[2] Projected.

Senator SARBANES. Mr. Chairman, I want to submit questions from Senator Cranston who was unable to be here this morning. He has a number of questions directed to Mrs. Ruppe, and we would appreciate your written response.

Ms. RUPPE. Thank you.

The CHAIRMAN. We thank you very much for being with us today.

Now, Secretary Newell, we would be very happy to have any statement from you that you would care to give.

STATEMENT OF HON. GREGORY J. NEWELL, ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS, ACCOMPANIED BY HON. J. WILLIAM MIDDENDORF II, AMBASSADOR TO THE ORGANIZATION OF AMERICAN STATES

Mr. NEWELL. Thank you, Mr. Chairman. I would like to ask that my prepared statement, which is rather lengthy, be included in the record, and with your permission. I would like to make just a few introductory remarks.

The CHAIRMAN. It will be included in the record.

Mr. NEWELL. I appreciate the opportunity to appear before you to present the President's fiscal year 1984 request for contributions to the certain voluntary funded organizations and programs of the

United Nations and the Organization of American States. I will restrict my remarks primarily to the United Nations. Ambassador Middendorf is here to respond to any questions which you may have dealing with OAS programs.

In addressing the authorization request now before the committee, it might be useful to place the request in context by describing my basic approach to the United Nations and the Bureau of International Organization Affairs.

As this committee may recall, I took office last June 4, and on June 9 announced five policy priorities to guide the work of the Bureau. We have incorporated these priorities into our day-to-day management of multilateral issues, and we have used them to maintain a steady focus on those matters of greatest importance to the United States.

The first priority is that of a reassertion of America's leadership role in international organizations. In the last General Assembly, for example, we turned back Cuba's effort to put Puerto Rico on the Assembly's agenda. We were instrumental in defeating an attempt to exclude Israel from full participation. Both were difficult situations in which we took an aggressive stance and prevailed.

Our second priority deals with budget responsibility. The United States is dedicated to supporting international organizations whose assessed budgets reflect conservative fiscal policies and economic reality. The President's own budget policy of zero net program growth and significant absorption of nondiscretionary cost increases is certainly reflected in this policy.

In view of the restraint being imposed on the domestic programs of the United States and other major contributors, international organizations simply cannot be immune from economic reality. Although the battle is far from won, we are seeing some encouraging signs here, such as the defeat of the unwarranted pay raise for U.N. employees at our insistence, and slower budget growth is finally starting to gain some support.

The third priority is strengthening U.S. influence in international conferences. Leaner delegations not only contribute to cost savings, but they also assure us of more disciplined delegations. Our goal here is to reduce the delegations by 30 percent as compared to fiscal year 1980. Over the last 8 months, we have achieved a reduction of more than 26 percent.

Our fourth priority is more U.S. nationals serving in international organizations. We want, of course, no unfair advantage here, but we do seek to fall within the established ranges in each one of these organizations. We have met with some success in this priority.

Our fifth and last priority is an increased role for the private sector. We would point here to our involvement with the IPDC, an offshoot of UNESCO, and with the ITU funding of grants to developing countries for training here with U.S. communications organizations.

To implement these priorities, I launched on July 15 a systematic, indepth review of each of the international organizations and programs in which we participate. In consultation with other bureaus and departments, we have met together on several of these. Our deadline for completion is September 15. Here we ask the

questions of ourselves as to the effectiveness of the international organizations, weighing the benefits and the costs of our participation. Our goal is to insure that these organizations promote both American and world interests.

Finally, let me indicate what I see to be the two greatest problems that are before us. One deals with the introduction of extraneous political elements into the international organizations. The second deals with lack of discipline financially throughout the system.

Through my extensive consultations with secretariats and some 58 member governments, we have stressed time and time again the need for fiscal restraint. Our success in dealing with both of these problems, extraneous policitical issues and financial in discipline, may well determine the future health of international organizations.

I appreciate this opportunity to appear before the committee. In sum, my attitude is neither cynical nor overly optimistic. Our desire is to seek to strengthen our participation in the United Nations and its affiliates, and to follow the President's statement of last June 17 when he appeared before the United Nations and spoke of continuing our participation in a constructive way.

Mr. Chairman, that ends my remarks. I would be pleased now to take any questions that you or the committee may have.

[Mr. Newell's prepared statement follows:]

PREPARED STATEMENT OF HON. GREGORY J. NEWELL

Mr. Chairman, I appreciate the opportunity to appear before you today to present the President's fiscal year 1984 request for contributions to certain voluntarily funded organizations and programs of the United Nations and the Organization of American States. I will restrict my remarks primarily to the U.N. programs; Ambassador Middendorf is here to respond to any questions you may have regarding the OAS programs.

Mr. Chairman, this is the first time I have appeared before this Committee since my confirmation hearing. Before addressing the authorization request now before the Committee, it might be useful to place this authorization request in context. With your indulgence, I would like to take a few minutes to inform you and other Committee members of my basic approach to managing the Bureau of International Organization Affairs.

I entered office with a determination to assure management reflecting the President's policies. The wide range of issues facing the Bureau and the unique relationship of the Bureau to the U.S. Representative to the United Nations over the years have given added challenge to the position I hold.

Many believe the Cabinet status of the U.S. Representative to the United Nations makes the Assistant Secretary's job impossible. I believe that Ambassador Kirkpatrick and I together have largely overcome the inherent difficulties. Inevitably, our different perspectives have sometimes resulted in different opinions. However, we have felt no need to belabor such occasional differences; our common respect for one another and our common dedication to serving the President have kept our energies and attention focused on the problems at hand.

I have established five policy priorities to guide the work of the Bureau. Keeping an eye fixed on these priorities has made it possible to stay ahead of events and maintain a perspective on the ever-changing issues confronting the Bureau. These priorities are as follows:

The first priority is to reassert American leadership in international organizations. It is important that U.S. policies be enunciated early and unequivocally in order to garner support for them from our allies and others.

Second, fiscal responsibility. The United States is dedicated to supporting international organizations whose assessed budgets reflect conservative fiscal policies and economic reality. The President's budget clearly indicates his policy for these budgets is zero net program growth and significant absorption of non-discretionary cost

increases. In view of the budgetary restraint being imposed on the domestic programs of the United States and other major contributors, there can be no justification for international organizations being insulated from economic realities.

Third, strengthen U.S. influence in international conferences. Leaner delegations will not only economize but also assure more disciplined delegations. Our goal here is to reduce by 30 percent the number of government delegate travellers compared to fiscal year 1980.

Fourth, increase the number of U.S. nationals serving in international organizations. We seek both to identify important policymaking vacancies for Americans and to ensure that Americans occupy positions at junior levels and are given opportunities to advance.

And fifth, increase the role of the private sector in programs and activities of the international organizations. We seek to encourage U.N. programs which draw upon private sector expertise and funding, to solicit private sector views on U.N. issues which affect their interests for use in our policy formulation, and to combat negative attitudes toward the private sector within the U.N. system and among member states. We seek to promote within the U.N. system a better, worldwide appreciation of the beneficial role of the private sector.

To implement these priorities, I launched on July 15 a systematic in-depth review of all international organizations and programs in which the United States participates totaling 94. In consultation with other Bureaus of the Department of State and other Executive agencies, we are assessing the effectiveness of the international organizations and weighing the benefits and costs of our participation. Our goal is to establish which organizations best promote American and world interests in order to tailor our funding and other policies accordingly.

Finally, let me indicate what I see to be the most serious general problems confronting us as we seek to serve U.S. interests through participation in international organizations. First, the introduction of extraneous political issues into the deliberations of the U.N. technical agencies is increasingly hampering these agencies' meaningful and necessary work. The attacks on Israel's right to participate in different international organizations is just one example. Both Secretary Shultz and the President himself have deplored this disruptive tendency. The second problem is the lack of financial discipline in international organizations. Throughout my extensive consultations with Secretariat officials and representatives of over 50 member governments I have stressed the need for fiscal restraint. Our success in dealing with this problem may well determine the future of international organizations.

I appreciate this opportunity to sketch out for you the approach we are taking in the Bureau. In sum, my attitude is neither cynical nor over-optimistic. The Bureau's overall objective—and that of this Administration—is to make the U.N. and its agencies work effectively. In and through the United Nations we will continue to uphold American values, express American views and pursue American interests without apology. We can and must do this within existing financial constraints.

The President's request of $190 million for the International Organizations and Programs account is $16.7 million above the fiscal year 1983 request level. This increase reflects a careful balance between the President's goals of budgetary stringency required for rebuilding our national economy and his determination to maintain the long-established leadership role of the United States in the international organizations concerned. U.S. leadership is most important in the two major organizations funded from this account—the U.N. Development Program (UNDP) and the U.N. Children's Fund (UNICEF). A third significant contribution is also vital for balanced safeguards support and technical assistance programs within the International Atomic Energy Agency (IAEA) designed to assure continued widespread support for U.S. nonproliferation objectives. The fourth major contribution in the account provides for promoting social and political stability within the framework of basic U.S. interests in Latin America and Caribbean nations through the development assistance programs of the Organization of American States.

While primarily directed toward assuring sufficient U.S. support for UNDP, UNICEF, IAEA, and the OAS, the total account level requested is calculated in these difficult times to demonstrate continued U.S. commitment to all of the programs included in the account, to assure for this country a major role in shaping the direction of their activities, and to restrain pressure to increase allocations for technical assistance in the assessed budgets of other U.N. agencies where we have less political and budgetary influence.

Unlike the organizations to which we are legally obligated by treaty to make assessed contributions, UNDP, UNICEF, and the other voluntarily funded technical and humanitarian assistance organizations are keenly aware that our degree of participation is dependent upon our perception of their effectiveness and their respon-

siveness to our interests. Therefore, historically, they have tended to be "self-regulating" and because of our usually large contribution, they remain very responsive to our desire to maintain a strong American leadership role. UNDP and UNICEF, in fact, always have been led by Americans, with Brad Morse now serving as Administrator of UNDP and Jim Grant serving as Executive Director of UNICEF.

Controversial issues dealing with Israel, apartheid, and involuntary resource transfers to the developing world which all too often are interjected in the United Nations, rarely, if ever, interfere with the humanitarian assistance sponsored by UNICEF, the well-managed technical assistance projects of UNDP, or the gathering of vital meteorological data through the Voluntary Cooperation Program of the World Meteorological Organization (WMO).

U.S. participation in the programs of this account advances our foreign policy objectives:

These organizations contribute to economic growth and stability in developing countries, thereby advancing our security interests in many areas. They help the poorer nations plan and implement development activities that improve the well-being of their citizenry. Through the provision of expertise and training to these countries, these programs build up their human capital—a step vital for development.

Our continued active participation in U.N. programs helps to ensure that important developing countries remain engaged in economic contact with the West. The major Western influence in the U.N. programs promotes the integration of developing world economies into the Western economic system.

A critical element of this Western influence is the emphasis on self-reliance, which is the ultimate requirement for effective development. The fact that recipient governments must share in accountability for the success or failure of U.N. activities, since they have a directing role in the initiation and implementation of projects, instills an increased sense of self-reliance compared to other development assistance efforts.

U.S. contributions to programs in the account such as UNICEF tangibly demonstrate American humanitarian concerns.

Finally, the U.N. and OAS programs complement our bilateral aid policy, and allow us to take advantage of the ability of these organizations to serve in areas too sensitive for, or outside the reach of, U.S. bilateral aid.

Mr. Chairman, the remainder of my statement briefly reviews the individual items in the account.

UNITED NATIONS DEVELOPMENT PROGRAM (UNDP)

The President is requesting that $120 million be appropriated for our contribution to UNDP. This organization, via its extensive field network of 114 developing country field offices, remains the main channel for technical cooperation in the U.N. system. Administering projects amounting to over $600 million a year, UNDP is responsible for program delivery in a greater diversity of fields in more developing countries and territories (152) than any other development assistance organization in the world. UNDP projects range from expansion of industrial and commercial sectors to increasing agricultural production, with emphasis on training to enhance the indigenous capacity to absorb and build upon external aid.

Specifically the $120 million is needed to:

Maintain the comprehensive system of UNDP field representatives. The UNDP's Resident Representatives are the principal U.N. spokesman in nearly every developing country. They perform field functions for nearly all U.N. agencies and the secretariat, achieving economies of scale and improved efficiency for the U.N. system as a whole, through their coordinating and catalytic activities.

Stave off the growth of technical assistance in the regular budgets of the U.N. specialized agencies. Now in the second year of the Third Program cycle, UNDP, due to the world-wide economic situation, finds itself with resources from donors permitting programming at only 55 percent of the level originally planned. While the original growth rate may have been unrealistically high, agency heads and developing nations have seized upon this situation of unfulfilled expectations to urge increased technical assistance through the regular budgets—a move we oppose for both policy and budgetary reasons. A sufficient U.S. voluntary contribution can be helpful in deflecting such increases in the regular budgets.

Maintain top level U.S. management in the organization. The term of Brad Morse, the current UNDP Administrator, expires in 1983 and we need to assure his reappointment or his replacement by another American.

Continue a coordinated approach to U.N. system development via one central agency.

UNITED NATIONS CHILDREN'S FUND (UNICEF)

A fiscal year 1984 request of $27 million for UNICEF is necessary to respond to the tremendous need for assistance to children and mothers in developing countries. UNICEF is unique in that it provides long-term humanitarian development assistance for children, maximizing popular participation and self-help efforts at the village level. It does this in cooperation with the host country government and often with bilateral and other multilateral organizations. UNICEF provides training at the local level, supplies and equipment for projects, and advocacy focusing international attention on and protecting children in developing countries.

Our requested contribution is particularly important in fiscal year 1984 to continue providing U.S. leadership in the organization and to enable UNICEF to apply recent developments in medical science to reduce acute malnutrition and disease. These new medical technologies include low-cost vaccines and oral rehydration therapy for diarrhea. Other elements of the UNICEF approach include the use of infant growth charts to detect malnutrition, the promotion of breast feeding, and the spacing of children. This approach is consistent with and reinforces our bilateral efforts in these areas.

INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)

Concern over the dangers to world peace of further proliferation of nuclear weapons has intensified the focus on IAEA's vital safeguards function. Internationally this focus is demonstrated in the central role assigned to IAEA safeguards in the non-proliferation treaty. The United States wishes to strengthen the Agency's role in the application of international safeguards, to prevent the diversion of nuclear materials from peaceful to military purposes. This emphasis is not fully shared by the developing countries, whose primary interest in the IAEA's program is its technical assistance. This $18.5 million voluntary contribution is designed for full support of both programs thus maintaining an overall balance by sustaining support of the safeguards activities by the developing countries. The President's request for a $4.5 million FY 1983 supplemental appropriation for IAEA also is required to maintain this overall balance.

OAS DEVELOPMENT ASSISTANCE PROGRAM (OAS)

The OAS is a unique institution through which we promote our national interests in the hemisphere; in particular, political solidarity and collaboration. The enhancement of human rights, and containment of conflict through peacekeeping. Although the other member countries are concerned with the same issues, they tend to be preoccupied with their own economic development. Consequently the level of U.S. support for OAS voluntary programs to spur economic development is perceived as an indicator of the U.S. commitment to Inter-American ideals and political solidarity.

We believe that a voluntary contribution of $15.5 million will maintain an acceptable response to U.S. initiatives in the OAS. This request will be a testimony to U.S. leadership. The relatively large U.S. contributions ensure that the United States will continue to influence the use of OAS funds and preserve our leadership in the development field throughout the hemisphere. In addition, the more developed countries have begun to take on more of the burden and to strengthen thereby mutual cooperation among the member countries.

UNITED NATIONS ENVIRONMENT PROGRAM (UNEP)

The United States was an initial supporter of UNEP's creation in 1972 and contributed some 30 percent of its total resources for the 1978–82 period. The bulk of UNEP's programs is devoted to global environmental problems in which the United States has fundamental interests. At the same time, they are problems which, by their nature, require a multilateral approach. These problems include build-up of toxic substances in rivers and oceans. Accumulation of carbon dioxide and hydrocarbons in the atmosphere, pollution of air and water, and deforestation. UNEP is an important mechanism for stimulating and orchestrating action on such problems by national governments and other U.N. agencies whereas unilateral or bilateral action by the United States would not be as effective.

A $3 million U.S. contribution for voluntary funding of this program will allow developing countries to take advantage of UNEP's efforts to build environmental

safeguards into new development projects and promote rational resource management. In the long run the United States will be a prime beneficiary of the support we give UNEP today.

WORLD METEOROLOGICAL ORGANIZATION/VOLUNTARY COOPERATION PROGRAM (WMO/VCP)

Successful global operation of the World Weather Watch of the WMO/VCP is of direct benefit to the United States. Before the establishment of this program, adequate weather data had been unavailable from over 80 percent of the earth's surface—primarily the oceans and territories of the developing countries. Data from these areas are becoming available as a result of the WMO/VCP efforts and are being used to help improve short-range precipitation and temperature forecasts as well as prediction of long-term weather patterns. The information is used by the general public, civilian industries, and for national defense. The data from this program are also used for research purposes to improve the operational system and to help predict climate fluctuations.

The WMO/VCP supports the participation of developing countries in the program by providing and installing equipment and training personnel to operate it. The request of $2.3 million will sustain this work.

U.N. CAPITAL DEVELOPMENT FUND (UNCDF)

Originally established to promote small-scale local industries and production within developing countries by applying the most appropriate technology, UNCDF continues to provide financing for those projects considered too small for external private or multilateral bank attention. UNCDF projects are designed to be relatively small. To enlist the widest local participation, and to make the maximum use of local resources in order to provide beneficiaries with a sense of identification, group motivation, and early results. UNCDF welcomes the cooperation of private enterprise in the development process as exemplified by Libby's involvement with a UNCDF-financed small-holder asparagus project in Lesotho. We are requesting $2 million for a U.S. contribution to UNCDF in fiscal year 1984.

U.N. EDUCATION AND TRAINING PROGRAM FOR SOUTHERN AFRICA (UNETPSA)

We are requesting $1 million for this program which fulfills a major U.S. objective of providing support for the peaceful transition of Southern Africa to majority rule. Scholarships are offered at secondary and university levels to black students denied access to such education in their homelands. A great many of the grantees study in the United States. Their training here and in other Western countries should enable the scholarship holders to obtain first-hand impressions of Western concepts and ideals in action—concepts which will be used by evolving political populations upon assuming responsible positions in government, business, and education.

U.N. VOLUNTARY FUND FOR THE DECADE FOR WOMEN (VFDFW)

A relatively small item in the International Organizations and Programs account, the fund supports projects which benefit the most economically disadvantaged women. Emphasis is placed on activities which improve the capabilities of women to contribute to their families, communities, and countries. U.S. support of these activities helps to identify us with the social and economic advancement of women worldwide.

The Fund sponsors a wide diversity of projects which include community shops, fuel and energy development training, brick industry for rural women, and marketing of handcrafts. A $500,000 U.S. contribution to the Fund in fiscal year 1984 will help assure this full scope of projects.

CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES (CITES)

This $150,000 request covers the United States targeted portion of the CITES Secretariat's biennial budget. This contribution will benefit international wildlife conservation measures. The Convention on International Trade in Endangered Species is the preeminent wildlife conservation treaty. It has established machinery for advocating protection of endangered species of flora and fauna. The United States played a leading role in the creation of CITES.

In summary, Mr. Chairman, we believe this request for the IO&P account takes into consideration the need for budgetary stringency yet protects our political, eco-

nomic, and security interests. We believe continued U.S. support for the programs of the account is vital to the leadership role our Nation should play in the multilateral and international arenas. We hope the Congress and your Committee agree and will support the full request.

That concludes my statement. I will be happy to respond to your questions.

The CHAIRMAN. Fine, thank you very much. I would like to put the first question to Ambassador Middendorf. The OAS has several development projects in El Salvador. What can the United States learn from successes in these projects that might be applied to our aid effort in El Salvador? Should more aid be sent to El Salvador through OAS channels rather than bilaterally?

Ambassador MIDDENDORF. Mr. Chairman, that is a very good question, and that is something I think we would like to study very much, both in the U.S. Government and over at the OAS.

Through the OAS, El Salvador is receiving maybe $600,000 or $700,000 of direct support from the OAS. It is a small country, 2½ million people, so it does not get as much as some of the others. On the other hand, IDCA and some of the related organizations are providing another $700,000 to El Salvador.

I have had the privilege of visiting a number of projects in the 25 countries I visited in the last year and a half down there, and El Salvador is one of the areas where I visited the projects that OAS has sponsored. The projects there primarly have to do with rural development, illiteracy, geothermal activities. They are pretty active in that and one of the leaders in the area, and the small farmers who are now receiving the land, showing them how to develop succesful farming operations. The OAS has been very active in that.

It could be expanded. I think there would have to be a decision made at another level in the Department. But it is something, if charged with, we would look at very seriously and work with you on.

[The following information was subsequently supplied for the record:]

U.S. DEPARTMENT OF STATE,
Washington, D.C., March 8, 1983.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is a follow-up to my appearance before your committee, February 25, 1983. You will recall that the Committee wanted to know something about what the Organization of American States (OAS) is doing in El Salvador. Further to the points which I made in my response, I am enclosing a brief summary of OAS projects in El Salvador for 1982. The level of the OAS program in El Salvador is approximately the same as in 1982; indeed some projects are continuing ones designed to meet long-standing problems.

It was good to have the opportunity to appear before your committee and, if you need more information about OAS activities, I shall be happy to oblige you.

Sincerely yours,

J. WILLIAM MIDDENDORF II,
Ambassador, Permanent Representative.

Enclosure.

EL SALVADOR—TECHNICAL ASSISTANCE OF THE ORGANIZATION OF AMERICAN STATES, 1982

OAS funds.—$1,170,000 (including $126,200 from the Inter-American Development Bank, and others but administered by the OAS).
Counterpart funds.—$2,639,800.
Total funds.—$3,809,800.

PROGRAMS

Economic and social development

Design of a National System of Preparation, Execution and Evaluation of Strategic Projects in Development.—A long-term project aimed at strengthening El Salvador's capability to mobilize and channel scarce capital investment resources into development projects with a high multiplier impact.

Rural development.—A continuing project closely linked with El Salvador's agrarian reform plan (phase one) affecting 179,491 hectares and 371,000 people in the areas of Sonsonate and Auchapan designed to build integrated rural communities with the capability of undertaking community-wide agricultural development as well as providing locally based service facilities.

Educational, scientific, technological development

Education.—Teacher training and textbook preparation at the primary level; Vocational training; Planning of rural education (linked with Rural Development Program above); Design of a national plan for adult education; and Analysis of the need for specialized personnel in health care, home education, cooperatives.

Science and technology.—New energy sources [1]—solar, photo-voltaic cells; Analysis of production feasibility and market potential for vegetable extracts; Planning for improvements in cotton production and marketing; Upgrading of the National Productivity Center's capacity to disseminate new know-how to industrial, business and other sectors; and Improvement of university-level teaching of physics and chemistry.

Fellowships.—43 fellowships at the post-graduate level.

The CHAIRMAN. Thank you. Secretary Newell, I am pleased that you addressed so many of the subjects that were raised in your confirmation hearing, and that you and Ambassador Kirkpatrick have largely overcome the difficulties inherent in working in that organization.

Are there any areas that still need smoothing over, or are you satisfied at the progress that is being made in your assuming your responsibilities with a clear line of authority?

Mr. NEWELL. I am greatly satisfied. Obviously, neither institution nor organization is perfect, neither individual is perfect. But I am very pleased with the mutual support which we give one another.

The CHAIRMAN. I think the very lack of any news in that area is evidence that things have gone a lot smoother than some members of the committee might have assumed possible. So we commend you on that, and Ambassador Kirkpatrick.

Your submission for fiscal year 1984 of the International Organization [IO] funding omits a traditional $2 million request for the world food program. Why is there no request for this purpose in fiscal year 1984? Is it just not needed this year?

Mr. NEWELL. Our determination was to have that absorbed in the Public Law 480 account.

The CHAIRMAN. So it is not a reduction and no lessening of need, but is just a transfer of the function?

Mr. NEWELL. That is correct.

The CHAIRMAN. For fiscal years 1982 and 1983, Congress earmarked 16 percent of the population account for the U.N. fund for population activities to assure that U.S. contributions to this important and effective U.N. program are maintained at $34 million.

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[1] The OAS has trained engineers in geothermal exploration, provided fellowships in geothermal specialization, and, jointly with Italy, funded advanced training in this field.

Source: Organization of American States.

Without earmarking, is there any risk that AID would reduce the UNFPA contribution for fiscal year 1984? If so, would you be concerned about that?

Mr. NEWELL. I am sorry, Mr. Chairman, we do not handle that in IO.

The CHAIRMAN. You do not have anything to do with that?

Mr. NEWELL. No; we do not.

The CHAIRMAN. OK, fine. What is the Bureau's assessment of the impact of the proposed $20 million reduction for UNDP? Has any study been done to review UNDP's ability to absorb such a cut without sustaining a deleterious effect on its own ability to provide technical assistance?

Mr. NEWELL. We do have an ongoing study dealing with the full breadth of UNDP. However, with this particular question we would note that the total pledges for calendar year 1983 increased $20 million over calendar year 1982. Hence, the $20 million reduction in the U.S. contribution which you refer to would leave UNDP at the same level for calendar year 1984 as it was in calendar year 1982 if other countries maintain their current levels.

The CHAIRMAN. All right. Senator Pell, do you have any questions?

Senator PELL. Yes; thank you, Mr. Chairman.

During his visit to Nairobi last November, Vice President Bush visited UNEP and voiced his support for the ongoing work of that agency. Newspaper reports said that Mr. Bush paid tribute to the work being done by UNEP; despite UNEP's worries over its budget, there was a lot of trust in the work the agency was doing.

Mr. Bush adds, we cannot say that for all of our U.N. agencies. Mr. Bush said the United States would continue to support UNEP. How do you square the Vice President's remarks with your proposed 61-percent reduction in the American contribution to UNEP?

Mr. NEWELL. As you note, we have come in well under what Congress has allowed in fiscal year 1982 and fiscal year 1983. Our concern here has been one of competing resources, scarce resources. We do support UNEP. I have undertaken, since taking my position, of meeting often with UNEP representatives in Washington. I have met with Dr. Tolba on two occasions. the last was on Tuesday. We have committed to him to do what we appropriately can within the resources which we have available to support and strengthen the responsibility that UNEP has.

We believe that their selection and announcement last week of an American to take the deputy executive director position again indicates that there is mutual support for the problems which we both find ourselves in financially.

Senator PELL. But my question is how do you square that support with a 60-percent reduction in money?

Mr. NEWELL. The administration proposal, again for fiscal year 1983 and fiscal year 1984, remains at the same level and that is $3 million. We do not see support for an organization being purely a financial contribution.

Senator PELL. If my recollection is correct, the original request of the administration was no support at all; to wipe it out. I think I am correct in that. I am informed that in the original budget submitted by David Stockman it was proposed to wipe it out entirely;

at least the American contribution. Then, as you point out, in response to an awareness of the needs of UNEF and the job it does, some money was requested.

The fact remains that your request is 60 percent less than the level of our present contribution, and that would seem to me to not square with your statement of continued support.

Mr. NEWELL. My response would be I think the same one I just gave, Senator, and that is support that one gives is not merely financial. We do support UNEP. We support other organizations where we have recommended cuts because of competing priorities.

Senator PELL. But I think that the cut is inordinately large with UNEP. It also ignores congressional intent, because in the past, as you know, Congress has increased the amount. But I was just curious how you were going to take an organization of this sort, which is doing I think a pretty good job, and cut it 60 percent. Your point is that it is competition for the funds, is that right?

Mr. NEWELL. Yes; the moneys are just not available.

Senator PELL. Well, Congress in the past has differed with you on that, and I hope we will again in this case.

What is your own assessment of the effectiveness of UNEP as an agency?

Mr. NEWELL. We see, and have discussed this with Dr. Tolba now on two occasions, some encouraging signs in the management of the organization. We support, in large part, their programs and what they are doing. We have stressed concerns on the management side and we are working that through, not only with Dr. Tolba, but also with the Washington office here to keep those lines of communication open.

Senator PELL. I think the problem here is one of priorities. I realize this is not your problem, but the increase in military assistance has gone up substantially, as you know, around the world, and some of these programs, though not of a military nature like UNEP, are given really a pittance. The viewpoint is that the well-being of Planet Earth, whatever you want to call it, we would do better, it seems to me, to increase our contribution to UNEP, maybe at the cost of a slight reduction in the security assistance program. But I will not pressure you for your views on this matter because I know you have to be a loyal member of the administration. Thank you.

The CHAIRMAN. Thank you, Senator Pell. Senator Sarbanes?

Senator SARBANES. Thank you, Mr. Chairman. Mr. Newell, do you expect that you will be able to continue to work down the U.S. contribution to these various U.N. agencies?

Mr. NEWELL. Are we speaking here of the IO&P account?

Senator SARBANES. Yes. Do you expect in subsequent years to continue to get that figure down, to push it downward, as you are doing in this submission?

Mr. NEWELL. For future years, of course, we have not worked on fiscal year 1985—it would seem to me that we will continue supporting them at levels that resources allow.

Senator SARBANES. Is it your objective to try to get it lower, to move it downwards?

Mr. NEWELL. That is not my intention, nor do I believe that is the intention of the administration.

Senator SARBANES. It is not your intention to try to move these agencies toward tighter, more restricted budgets?

Mr. NEWELL. I think we might be talking about two different accounts here. On the assessed budgets, we will. That is for another discussion. But on the assessed budgets, we will continue seeking to limit their growth. On the voluntary programs, what we are working with now is really the balance of resources that we see we have with multilateral organizations.

Senator SARBANES. But you have gotten those figures down, have you not, in the course of your tenure?

Mr. NEWELL. In a few programs, yes. It is not my inclination to have those programs that are affected such as UNICEF and UNDP brought down further. In fact, one could see that since we have worked this through, the fiscal year 1983 request for UNDP, for example, was $106.5, as I recall, and our request for fiscal year 1984 is $120 million. So we see it going up instead of down from the fiscal year 1983 request; and UNICEF, the same. The fiscal year 1983 request was $26 million, and the fiscal year 1984 request is $27 million.

Senator SARBANES. It is significantly below what was appropriated and what you are working with; is that right?

Mr. NEWELL. That is correct.

Senator SARBANES. Let's take UNICEF. Our contribution this year is $42½ million; is that correct?

Mr. NEWELL. That is correct.

Senator SARBANES. You propose that next year we should make a $27 million contribution; is that right?

Mr. NEWELL. Yes, for fiscal year 1984.

Senator SARBANES. So you are proposing a cut of about 35 to 40 percent in our contribution to UNICEF, is that correct?

Mr. NEWELL. Yes; that is correct.

Senator SARBANES. That will, I take it, mean a cutback in UNICEF programs, will it not?

Mr. NEWELL. We cannot forecast that. Certainly, if there were fewer resources one could conclude that.

Senator SARBANES. If we did not conclude that, what else could we conclude other than that?

Mr. NEWELL. Well, in response to——

Senator SARBANES. What percent of the UNICEF budget does the U.S. contribution represent?

Mr. NEWELL. About 18 percent in fiscal year 1982, although we would add that the private sector also contributes heavily. The American private sector gives $10 to $11 million annually. We also note that when there was an emergency situation in Lebanon last year, the American Government put forward very quickly $13 to $15 million in emergency funds to UNICEF. So they obviously and certainly do have great support.

Senator SARBANES. I am searching for your rationale in concluding that we could cut the U.S. contribution to UNICEF by 35 to 40 percent.

Mr. NEWELL. We do not feel that the resources are available.

Senator SARBANES. Were you given a figure that you had to work with?

Mr. NEWELL. No; we were not. We arrived at the $27 million figure by taking the administration's 1983 figures and felt to increase that $1 million.

Senator SARBANES. Was it given to you as a mark, or was that the choice you made?

Mr. NEWELL. That was the choice that I made, in consultation with others.

Senator SARBANES. What was the rationale for that?

Mr. NEWELL. That we did not feel we had the resources available to give UNICEF more.

Senator SARBANES. You had $42½ million available to you this year.

Mr. NEWELL. That is correct. Again, we look at the multilateral programs as a picture, and with the assessed budgets growing perhaps in the neighborhood of around 4 percent or $100 million. Those funds also compete with the voluntary fund.

Senator SARBANES. On the UNDP, what percent of that budget comes from the United States?

Mr. NEWELL. Right now, about 19 percent.

Senator SARBANES. And you are proposing to cut our contribution by 15 percent, is that correct?

Mr. NEWELL. Well, the administration's proposal from fiscal year 1983, $106 million, is increased to $120 million.

Senator SARBANES. Looking at it from the point of view of the contribution received by the UNDP, it will represent a drop for them, will it not?

Mr. NEWELL. Yes.

Senator SARBANES. What do they get from us this year?

Mr. NEWELL. This year they get $140 million.

Senator SARBANES. And you propose next year that it should be $120 million?

Mr. NEWELL. Yes.

Senator SARBANES. Well, that is a drop, isn't it?

Mr. NEWELL. Yes; it is.

Senator SARBANES. You are not asserting it is an increase simply because your request this year is more than the request last year, are you?

Mr. NEWELL. No; but we are saying that from the administration's——

Senator SARBANES. How do you get Morse reelected as the head of the UNDP if you start doing these sorts of things? Do you expect to get him reelected?

Mr. NEWELL. We do not know that he will put himself forward for reelection. We would hope he would, and if he will, we expect him to be reelected.

Senator SARBANES. Do you think it contributes to achieving that purpose to underscore it as baldly as you have done in your statement?

Mr. NEWELL. I feel comfortable with that.

Senator SARBANES. That was not the question I asked.

Mr. NEWELL. The answer, then, would be yes.

Senator SARBANES. You think it does help to achieve that purpose?

Mr. NEWELL. I see that it would not hurt it, so I would have to say that it would move it along.

Senator SARBANES. On your fourth priority, how successful have you been?

Mr. NEWELL. We believe we have been quite successful. To give some specifics, if I may, we regained the ICSC seat in New York which was lost last year. We have sought and we have some encouragement that we may get the statistical commission seat. We have communicated with UNIDO on three occasions and have indicated a concern to have more Americans in that organization. They have made one senior post available to us.

Senator SARBANES. What is the process for determining what is fair?

Mr. NEWELL. Many of these organizations, Senator, have established ranges. For example, in UNESCO it is 92 to, I believe, 120 positions or thereabouts. In UNESCO we have 89 positions, so we know that we are below the accepted and established range.

Senator SARBANES. When you say in your third priority that the leaner delegation will not only economize but will also assure a more disciplined delegation, what does that mean?

Mr. NEWELL. One complaint that we have gotten from friends and allies is it is often difficult to determine what the real American position is at a given meeting because of so many competing voices which do not always agree. They have not always known what position the American delegation was bringing forward.

Our feeling is that with a smaller delegation we have the opportunity for more discipline in that delegation and one unified position.

Senator SARBANES. How is that achieved by having fewer numbers?

Mr. NEWELL. My thought is that with a smaller delegation, one knows what others are doing, who the other members of the delegation are. They have strict responsibilities in those conferences.

Senator SARBANES. I am not following how just the numbers affects the discipline. It would seem to me you might still encounter the same problem unless you achieve the discipline through added means. I was wondering what those added means might be.

Mr. NEWELL. Some of the added means are, first, selecting the delegations further in advance. Second, developing the positions further in advance in consultation with friends and allies, departments and agencies. And having sessions well in advance of the conference with those delegates so we have clearly worked out understandings on our positions. At least at the outset of a conference, prior to the conference site.

Senator SARBANES. So, there is a more careful vetting of those that are appointed to the delegation? Is that right?

Mr. NEWELL. Yes; that is right.

Senator SARBANES. Is there a clearer understanding that there is an established position which they are to adhere to as a member of the delegation?

Mr. NEWELL. That established position is worked out here in Washington rather than in Nairobi or Paris, understanding that there will be conflicting views.

Senator SARBANES. In other words, they go knowing that this is the position and this is the one that they are to adhere to as a member of the delegation.

Mr. NEWELL. That is correct. They are instructed delegations.

Senator SARBANES. In your fifth priority——

Senator MATHIAS. Would the Senator yield before you get to the fifth priority? Mr. Chairman, I regrettably have to leave. Can I have unanimous consent to submit questions in writing to these witnesses?

The CHAIRMAN. Surely.

Senator SARBANES. I will defer now.

The CHAIRMAN. We will submit those questions for the record. Thank you very much, Senator Mathias.

Senator Sarbanes?

Senator SARBANES. You speak of soliciting private sector views on U.N. issues which affect their interests for use in our policy formulation, and I am curious to know on what basis the decision is made as to issues to solicit private sector views on, and which private sector views to solicit.

Mr. NEWELL. When we assess each one of these organizations we assess them in each of these five categories, and the desk officer, if you will, who is responsible for this given item—say, for example, UNESCO—will determine, with those with whom he is in contact, such as the UNESCO Commission, which is largely private sector—where they feel we can and should go with UNESCO with the private sector.

Then, after all of these recommendations are brought forward, we sit down in a policy review meeting and go over them item by item. When we get to the private sector, we look over those recommendations that are made. Then, depending on what the recommendations are, the subject matter and the experts in the private sector who are interested in and willing to participate, we pull those groups together.

Senator SARBANES. You would do the same with each of the other U.N. agencies?

Mr. NEWELL. Yes; we do.

Senator SARBANES. The private sector interests that are solicited, how are they determined?

Mr. NEWELL. The private sector interests are solicited, for example, with the UNESCO Commission. We have an advisory body for the ILO. We already have the mechanism for soliciting views in organizations such as the ITU.

We have highly interested parties, of course, in the communications sector in this country who have come forward and offered recommendations. In the case of Mickey Gardner, who was chairman of the ITU delegation, he went out and sought the views and the interests of the industry.

Senator SARBANES. Are we deferring the payment of the assessments?

Mr. NEWELL. Yes; the assessed budgets are deferred.

Senator SARBANES. For over what period of time?

Mr. NEWELL. The deferral process will be totally completed by October 1, 1983.

Senator SARBANES. The GAO has made a report that questions these planned deferrals. Is that correct?

Mr. NEWELL. I understand they have. I have not seen the report.

Senator SARBANES. The report has not been provided to you for comment?

Mr. NEWELL. I understand that it was delivered a day or two ago to the Bureau, but I have not yet seen it.

Senator SARBANES. Would you then submit to the committee your reaction to the criticism, and particularly whether the planned method of payment deferral could have an adverse impact on U.S. policy interests?

Mr. NEWELL. I would be pleased to, Senator.

Senator SARBANES. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. Secretary Newell, because we are running late I will submit other questions to you for the record. Thank you. We appreciate your appearance here very much.

Senator PELL. Mr. Chairman, I would ask also that all Senators have that privilege.

The CHAIRMAN. Fine. It will be left open for any other members, also. Thank you very much. We appreciate your first appearance before us in this new role of yours, and we commend you on the job you are doing.

Mr. NEWELL. Thank you.

The CHAIRMAN. Now, if we could have our public witnesses, Barbara Bramble, Faith Campbell, Paul Nelson, Elise Fiber Smith, Fred Pinkham, Larry Minear, and Davidson Gwatkin.

My understanding is that most of you have been advised in advance and have agreed to an opening statement of 2 minutes or so—that is twice as long as House Members are allowed under the 1-minute rule over there. We will proceed on that basis, then. If we could start with Barbara Bramble. The full statements will be incorporated in the record, of course.

STATEMENT OF BARBARA J. BRAMBLE, DIRECTOR OF INTERNATIONAL PROGRAM, NATIONAL WILDLIFE FEDERATION, WASHINGTON, D.C.

Ms. BRAMBLE. Thank you, Mr. Chairman. My statement is fairly short, so I think I can get through it in the 2 minutes.

I am Barbara Bramble, the director of the international program of the National Wildlife Federation. NWF is one of the world's largest private conservation organizations with 4.2 million members and supporters. The federation is dedicated to the wise use, conservation, and restoration of natural resources and has long understood the inseparable connection between economic development and the conservation of natural resources.

I am speaking in support of Senator Pell's proposed amendment to the Foreign Assistance Act. The proposed amendment would add a new section to the Foreign Assistance Act authorizing programs and activities of USAID specifically designed to protect biological diversity. We believe this amendment would add a significant and necessary element to the natural resources management aspect of our foreign assistance program.

The National Wildlife Federation began decades ago as a small group of hunting and fishing organizations with fairly narrow interests, but over the years our members have broadened their concerns because they know that animals and plants form interconnected ecosystems, that no game species can survive independent of healthy habitat, and that maintenance of species diversity is crucial for the survival of the human species. Our members also realize that genetic diversity is a worldwide resource, and that it will do us little good to conserve endangered species here in the United States without making a serious effort to help other countries to do the same.

Human population is growing, and the reach of man's activities is widening across the globe. This is causing land use conflicts between the need for agriculture, industry, urban expansion, and the long-term need for conservation of wildlands to maintain biological diversity. These conflicts will become more intense.

But as this proposed legislation recognizes, the extinction of animal and plant species is an irreparable loss with potentially serious environmental and economic consequences. In other words, our long-term outlook for human development, and even survivial, depends on our ability to resolve these conflicts and conserve species that may turn out to be of crucial value in the future. We commend Senator Pell for giving this matter particularized attention now, before the acceleration of extinctions reaches crisis proportions.

The National Wildlife Federation strongly supports the amendment proposed by Senator Pell for the reasons that are expressed so well by Dr. Faith Campbell of NRDC in her written statement. We are very pleased that this initiative would authorize the Executive to take action to preserve biological diversity as an appropriate objective of U.S. policy and development assistance. This is a significant and a welcome extension of the activities of the U.S. Government in the international sphere.

As all of us have long recognized, it is not enough simply to add incremental funds to traditional economic development projects in order to alleviate some of their more destructive aspects, nor is it enough to assess environmental impacts of such projects, although both of these are useful activities. What is important about the present proposal is the opportunity to work with developing countries to plan projects, the central objective of which is the conservation of biological diversity. This is the only way to begin to make available the substantial resources that are needed to address problems of habitat conservation.

Since developed countries, especially the United States, will benefit from the maintenance of biological diversity as much or more than the developing countries, it makes sense for us to take the lead in financing conservation projects which may be valuable for our own future.

Thank you for the opportunity to testify today.

The CHAIRMAN. Thank you very much. Faith Campbell, please.

STATEMENT OF FAITH THOMPSON CAMPBELL, RESEARCH ASSOCIATE, NATURAL RESOURCES DEFENSE COUNCIL, WASHINGTON, D.C.

Ms. CAMPBELL. Thank you. I am Faith Campbell for the Natural Resources Defense Council, also representing today the Sierra Club, African Wildlife Foundation, Environmental Defense Fund, Friends of the Earth, and World Wildlife Fund. We, too, are happy to support Senator Pell's proposed amendment, which Ms. Bramble has just described.

Scientists estimate that we will lose over 1 million species by the end of this century; species driven to extinction largely by habitat loss. These extinctions and the ecological disruption associated with them will undermine developing countries' abilities to provide food and other basic human needs for their peoples.

An expert on this subject, Dr. Norman Meyers, spoke to a number of congressional staffers yesterday on this subject. He called it a challenge. We do have time to change this trend if we act now. AID should respond to this challenge by taking positive steps to curb this impending catastrophe.

NRDC is preparing an analysis of how well AID has carried out its current environmental functions under existing legislation, and we would like to submit that later for the record. However, we already know that AID has not initiated more than a few projects affecting biological diversity in any way, and virtually none was initiated for that purpose itself. The proposed section 119 would correct this deficiency.

Preservation of biological diversity is fundamental to the well-being of the peoples of developing countries. I have a number of examples in my testimony. I will mention them briefly here. Natural ecosystems provide a number of important services including protecting water supplies and quality, providing soil fertility, providing natural control over agricultural pests and disease vectors, providing pollenators for crop plants and fodder for domestic livestock.

Individual species of wild plants provide essential leafy greens to the diet with vitamins A, C, and calcium and other important nutrients. Wild relatives of crops have contributed greatly to improving crop yields by providing genetic materials that are resistant to disease. Grassy stunt virus, for example, is no longer a major cause of crop failure for rice in Asia because of introduction of genes from a wild strain that was resistant to that disease.

Wild animals are an extremely important but almost forgotten source of protein for many peoples of developing countries. In the Amazon and West Africa in particular. In Ghana, for example, an estimated three-quarters of the population depend heavily on bushmeat, which includes a lot of animals you might not think of.

U.S. citizens, perhaps to your surprise, are also heavily dependent on the biological diversity of these countries. Corn, for example, is a native plant of Central America. It has already been improved by introduction of wild corns from Central America, and another from Mexico, *Zea diploperennis,* is known to be immune to five important corn diseases.

Those of our friends and neighbors who contract cancer have benefited from treatments developed from tropical plants such as

the tropical periwinkle. Our steroidal drugs such as cortisone and oral contraceptives were originally derived from *Dioscorea*, a genus of yams found in Central America.

Chimpanzees and other animals are vital to medical research, and as an industrial product I will cite only natural rubber which is extremely important for heavy-duty tires. The rubber tree is susceptible to leaf blight and scientists are dependent on wild plants in the Amazon to develop a new tree which is less susceptible.

Finally, I would like to address a collateral suggestion of Senator Pell. The United States is the world leader in natural resource management and protection. Developing country officials who are frequently new in this field and somewhat poorly trained compared to ours can benefit greatly from greater association and opportunity to work with our environmental officials, our educational personnel and, indeed, our voluntary organizations.

Therefore, we support Senator Pell's proposal to expand opportunities for foreign environmentalists to visit and work here under the Fulbright program, the Hubert H. Humphrey Institute, and the International Visitors Program.

People, like other animals, thrive only in a healthy biosphere. Therefore, the environmental organizations that I represent today believe we will suffer irreparable loss if present trends of extinction are not reversed.

We greet enthusiastically Senator Pell's initiative and believe it will help provide solutions to these problems.

Thank you.

[Ms. Campbell's prepared statement follows:]

PREPARED STATEMENT OF FAITH THOMPSON CAMPBELL

Thank you, Mr. Chairman, I am Faith Thompson Campbell, speaking on behalf of several public interest environmental organizations: NRDC, Sierra Club, African Wildlife Foundation, Environmental Defense Fund, Friends of the Earth and World Wildlife Fund. I appreciate the opportunity to appear before the Foreign Relations Committee in support of Senator Pell's proposed amendment to the Foreign Assistance Act.

The proposed amendment would add a new Section 119 to the Act. The new language states that the Congress finds that increased rates of extinction of plant and animal species threaten "an irreparable loss with potentially serious environmental and economic consequences for developing and developed countries alike." The amendment authorizes the Agency for International Development to assist countries in maintaining wildlife and plant habitat and developing sound wildlife management programs.

Scientists estimate that by the end of the century 15–20 percent of the Earth's species may be driven to extinction. This would mean the permanent loss of between 500,000 and 2,000,000 distinct types of living things. Scientists are beginning to document that this loss will undermine developing countries' abilities to provide food and other basic human needs for their peoples. (See Robert and Christine Prescott-Allen, "What's Wildlife Worth?" Earthscan, Washington; and Norman Myers, "A Wealth of Species," Westview Press, Boulder, Colorado.) Extinctions will be the most numerous in tropical forests and coastal areas—the areas which contain the greatest variety of species, and are under the greatest pressure. The U.S. Agency for International Development (AID) has programs in many tropical and other countries, programs which should address this issue vital to their development.

The major cause of extinctions is habitat loss. As human populations grow and uncontrolled economic growth takes place, wild areas suitable for plants and animals disappear. Forests are cut down to make way for agriculture, to provide fuelwood, or to supply export markets. Estuaries and mangroves are dredged for harbors; they and coral reefs are polluted by siltation and chemical pollutants. A second cause of extinction is overexploitation of the animals or plants. Often this results from local use of the wildlife; sometimes it stems from international demand.

Economic development is essential in order that all people may obtain the basic necessities of life and the opportunity to better themselves. However, development projects can be planned so as to minimize destruction of biological diversity and thus preserve the capacity of ecosystems to sustain human life. AID should assist developing countries' efforts to reach this goal.

Preservation of biological diversity is fundamental to the well-being of the peoples of developing countries. Natural vegetation protects atmospheric quality and regulates water supplies and quality. It prevents desertification in dry areas. Plants and soil microbes create and restore soil fertility. Wildlife, including spiders and predatory insects, provide the primary controls over agricultural pests and disease vectors such as rats and insects. Insects and birds are also the chief pollinators of important crop plants. Finally, wild vegetation provides the bulk of fodder for domestic livestock. Humans do not know how to replace most of these vital ecosystem services, continued availability of which is threatened by the massive extinctions thought likely to occur unless preventive actions are taken.

Wild plants and animals also contribute more directly to Third World peoples' well-being. Wild plants are often the primary source of leafy greens, which contain such essential nutrients as vitamins A and C and calcium. Recently domesticated plants such as the winged bean of Southeast Asia show great promise as new sources of protein for the tropical diet. Wild relatives of crops have increased crop yield by providing the genetic materials required for improvement. Thus grassy stunt virus no longer causes failures of the rice crop since resistance was obtained by crossing with a wild rice strain from India.

Wild animals are extremely important protein sources in many Third World countries. Fish, both marine and freshwater, are the most important. In addition, in Amazonian America, West Africa, and elsewhere, turtles, birds, and small mammals—including large rodents and monkeys—make up part of the diet. In Ghana, for example, three-quarters of the population is heavily dependent upon this "bushmeat."

Finally, most tropical peoples still rely on traditional herbal remedies for treating medical problems. Once scorned by Western doctors, these remedies are now recognized as inexpensive and often effective. Indeed, scientists are now studying them to learn how we can benefit from them.

Perhaps surprisingly, U.S. citizens also depend on the biological diversity of these countries to support our way of life. Our corn crop has been helped by increased resistance to diseases provided by crossing with Mexican wild grasses. A recently discovered one, *Zea diploperennis*, may convey resistance to five additional plagues. Those unfortunate enough to contract leukemia or several other cancers are treated with vincristine and vinblastine, which were derived from a tropical periwinkle (a plant). Our steroidal drugs, including cortisone and oral contraceptives, were taken from tropical yams of the *Dioscorea* genus. Vital medical research has been conducted on chimpanzees and other primates. Among industrial products, natural rubber is required for use in heavy duty tires, including those for trucks, airplanes, and the space shuttle. The rubber tree, however, is very susceptible to leaf blight; scientists are searching the Amazon for wild relatives which can survive attacks of this disease.

AID already examines the environmental impacts of projects which it funds and works with host governments to minimize adverse consequences. AID also carries out projects aimed at other serious environmental problems, especially soil erosion and fuel shortages arising from deforestation. NRDC is preparing an analysis of AID's program in these areas which we would like to submit later for the record.

However, AID only rarely funds projects intended to preserve biological diversity, that is, to insure the continued availability of wild living resources for use and enjoyment by Third World peoples and ourselves. Senator Pell's proposed Section 119 would correct this serious gap in the Agency's program.

The United States is the world leader in natural resources environmental protection and management. Developing country officials and voluntary associations can learn much from an opportunity to study our methods and exchange views with their American counterparts. At the same time, we can improve some of our own programs by becoming more familiar with the problems and success of our colleaques in other countries. For these reasons, NRDC has sponsored its own exchange program for Third World environmental leaders. However, we can bring only two people to the United States each year.

Expansion of opportunities for foreign environmentalists to visit the United States would represent a valuable complement to the program envisioned under the new Section 119. Therefore, we urge the Congress to earmark for environmental personnel a certain proportion of the funds used to implement existing exchange

programs—the Fulbright program for academic scholars; the Humphrey Institute for hands-on managers in government and other institutions; and the international visitors program for short-term exchanges of political leaders, journalists, and others.

People, like other animals, thrive only in a healthy biosphere. NRDC, Sierra Club, African Wildlife Foundation, EDF, FOE and WWF believe that we will suffer irreparable loss if present trends of extinction are not reversed. Therefore, we greet enthusiastically this initiative of Senator Pell's, which we believe can contribute greatly to a solution.

Thank you for this opportunity to testify. I would be happy to answer any questions.

PREPARED STATEMENT OF THOMAS B. STOEL, JR., DIRECTOR, INTERNATIONAL PROGRAM, NATURAL RESOURCES DEFENSE COUNCIL

I. BACKGROUND

In many developing countries, rural people are destroying the renewable resource base upon which development ultimately depends. Unplanned actions and badly designed development projects, together with the effects of population growth, are undermining essential ecological processes; destroying soils, waters, and forests; and extinguishing living species and their critical habitats.

For example, wells drilled in Africa's Sahel led to overgrazing by increased numbers of cattle, and this in turn caused desertification. Poor development planning has contributed to the destruction of most of Nepal's forests, resulting in the loss of much of the country's irreplaceable topsoil. Deforestation in Kenya has caused such severe erosion that the country's hydroelectric program has been set back due to siltation of dams. Many other examples could be cited. Yet development planners often continue to act as if there were no connection between environment and development.

It follows that the design of development projects so as to avoid unnecessary environmental harm, and positive actions aimed at restoring or maintaining the natural resource base, should be major priorities of the U.S. Agency for International Development. Accordingly, environmental organizations have been actively concerned about AID's environmental performance at least since 1975. In that year, the Natural Resources Defense Council and others sued AID under the National Environmental Policy Act to compel AID to adopt environmental impact assessment procedures. The suit was settled when AID agreed to adopt procedures. Subsequently, NRDC and other organizations repeatedly testified and lobblied in favor of amendments to the Foreign Assistance Act which added and then amended Section 118.

In 1979–80, NRDC was funded by AID to prepare a detailed, 225-page report on AID's environmental performance. The report suggested a number of needed improvements, including the hiring of additional staff and the establishment of a central office of natural resources. AID already has implemented a number of these recommendations.

Environmental organizations have placed a high priority on the preparation by AID of "environmental profiles" which describe the environment and natural resource problems in each aid-receiving country. These profiles, which are mandated by Section 118, are badly needed to provide the basis for new AID environment and natural resources projects. Environmental groups also have emphasized AID's role in preventing unwise tropical deforestation, and have worked with this Committee and others to give AID a mandate in that area.

To the extent permitted by their resources, environmental organizations have examined specific AID projects with major environmental impacts. Recent examples include the massive Mahaweli irrigation project in Sri Lanka and a large colonization project in the high jungle area of Pichis-Palcazu in Peru. To its credit, AID has been responsive to the concerns expressed by these groups, and has made changes which have improved the projects.

II. PAST RECORD

AID has been a leader among development assistance agencies in the field of environment and natural resources. AID was the first such agency to adopt formal procedures requiring the preparation of environmental impact assessments prior to taking actions which might have significant environmental effects. AID also has been a leader in positive efforts to maintain and improve the natural resources base on which development depends. AID's total funding for projects or project compo-

nents of this kind rose from just over $13 million in fiscal year 1978 to more than $150 million in fiscal year 1982.

Effective efforts necessarily depend on the presence of AID staff members who have the requisite technical knowledge. AID has been primarily an agency of economists and engineers, and this has been a handicap. However, the Agency is gradually acquiring the needed staff expertise. There are now more than 20 full-time, permanent environment and natural resource specialists in Washington or in the field, whereas there were only a handful a few years ago. Many other specialists are working abroad on specific, short-term projects.

AID's environmental progress began in the Ford and Carter Administrations. However, much credit is due to the current Administrator, Peter McPherson, for continuing and even expanding these efforts in an unpromising political and fiscal climate. Many feared that Administrator McPherson would share, or be forced to reflect, the anti-environmental views of James Watt and others in the Reagan Administration. The severe budgetary pressures experienced by all government agencies might have caused a severe cutback in funding for environment and natural resource projects. Instead, AID has maintained its leadership position. While much remains to be done, and this testimony emphasizes the need for improvements in AID's performance, the record is one of leadership and progress.

III. OVERALL PRIORITIES AND PROPOSED FISCAL YEAR 1984 PROGRAM

Environment and natural resource problems in developing countries are still growing. Hence, AID should step up its overall efforts in this area. In setting its priorities, AID should continue to emphasize identification of environment and resource problems through environmental profiles and other means, institution-building, training, efforts to combat deforestation, and actions aimed at preventing soil loss. The Agency should begin to act strongly in two areas where it is now weak or timid: coastal zone management and maintaining biological diversity (our oral testimony was devoted to biological diversity, and that subject will not be discussed further in this statement). Population growth is an underlying cause of many environmental problems, and the Agency should maintain a strong program of population assistance.

We have already commended the Agency for augmenting rapidly the number of staff specialists on environment and natural resources. However, this recruitment effort began only about 5 years ago, and the total staff is still weak in these fields. AID must accelerate its efforts to recruit people with these skills if it is to have a strong, well-administered environment and natural resources program.

We have not had a chance to analyze in detail AID's proposed activities for fiscal year 1984. However, a quick review of AID's Congressional Presentation gives reason for concern. According to the Agency's own figures, funding for projects or project components concerning forestry, natural resources, and environment are not increasing. Instead, after rising sharply from just over $13 million in fiscal year 1978 to more than $150 million in fiscal year 1982, they dropped to an estimated $123 million in fiscal year 1983. The fiscal year 1984 request shows an additional decline, to $118 million.

Dollar figures can be misleading. However, we believe the magnitude of environment and natural resource problems warrants increased expenditures, not a dropoff. Moreover, anecdotal evidence confirms that there is reason for concern. Agency staff members feel that the budget crunch is taking a disproportionate toll of environment and natural resource projects as they move through the Agency's project planning "pipeline." Our quick review of the Congressional Presentation indicates that few new environment and natural resource initiatives are emerging from that "pipeline" as funded projects.

One initiative is worthy of mention. AID's centrally funded technical assistance program proposes to move into an important new sector, coastal zone management, by assisting countries in three regions to develop plans for sustainable utilization of coastal areas. A marine science component will supplement the technical assistance. This praiseworthy initiative must be regarded as a small first step, in view of the magnitude of coastal problems in developing countries. The total proposed funding for the 5 years 1983–87 is only $3,050,000, with just $200,000 proposed for 1984. AID should do more in this area.

The apparent decline in emphasis on environment and natural resources is occurring despite Administrator McPherson's evident personal commitment. Agency staff tell us that many in the Agency realize this is a personal concern of the Administrator, but feel that his interest is not shared by other powerful officials in the Agency, notably some Assistant Administrators and Mission Directors.

In addition to supporting new initiatives, AID must implement well those already begun. Staff members are concerned that AID will do a poor job of implementing environment and natural resource projects funded in the past. If these are seen to fail, it may discourage not only AID but the countries where the projects are located.

IV. THE NEED FOR AN AGENCYWIDE NATURAL RESOURCES STRATEGY

AID is currently producing sectoral strategies for seven different sectors, among them environment, forestry, energy, and agriculture. However, there is no overall strategy on natural resources which would put the more specific strategies in perspective and expose gaps.

A more comprehensive approach would reveal AID's general lack of capability in the areas of coastal and marine resources management. In some countries, such as Belize, this leads AID to emphasize economic development based on terrestrial resources even when this may destroy potentially more valuable marine resources—in Belize, the offshore, highly productive coral reef ecosystem, which is threatened by siltation due to development inland. A comprehensive strategy also might lead to sounder approaches in areas like watershed management which cut across several sectors but often are regarded as involving only one (e.g., forestry).

Therefore AID should produce an overall natural resources strategy which would, at a minimum, cover the following areas: (1) forestry; (2) environment; (3) coastal resources management; (4) water resources management, including watersheds and river basins; (5) soils management; (6) conservation of biological diversity; (7) data needs; and (8) national level natural resources planning.

V. NEED TO IMPROVE DRAFT FORESTRY STRATEGY

AID's draft Forestry Strategy, which was circulated to all AID missions in December 1982, contains many good elements. Nevertheless, the draft is flawed and should be modified before it becomes official policy.

The most serious flaw is the Strategy's total neglect of the crucial role of tropical forests in maintaining biological diversity. The draft Strategy lays down at the outset three forestry program objectives: (1) to help meet energy requirements; (2) to help achieve self-reliance in food production and assure the water supply; and (3) to contribute to broadly based economic growth through meeting local and industrial needs for forest products. The rest of the draft sets forth the ways in which AID intends to meet those objectives. Biological diversity is never mentioned.

In Section 118(d) of the Foreign Assistance Act, added in 1981, the Congress stated that it was "particularly concerned" about tropical deforestation and directed that the President consider those concerns in formulating AID's programs and policies. Among the impacts of tropical deforestation specifically noted by the Congress were "extinction of plant and animal species" and "loss of genetic resources." These concerns were not drawn out of thin air. They were based on lengthy hearings, at which the Congress was presented with evidence concerning the seriousness of these impacts.

Section 118(d) also directs the President to consider the recommendations of the Interagency Task Force on Tropical Forests. Prominent among those recommendations is that U.S. bilateral assistance programs pay "special attention," inter alia, to:

"*Protection and conservation of forest lands with special emphasis on long-range values.*—Assistance should include studies of ecosystem diversity and dynamics; composition and value of flora; and collaboration with countries to help designate, set aside, and manage representative areas including parks, wildlife reserves, and multiple-use forests." Report to the President by a U.S. Interagency Task Force on Tropical Forests, p. 46.

This recommendation was supported by the Task Force's findings that:

"Tropical forests contain the greatest diversity of life on earth—probably more than 3 million species of plants and animals. In addition, thousands of migratory species inhabit these forests. This diversity is the source of an increasing number of valuable products, for both local and worldwide use." Id., p. 12.

"Ecologically diverse tropical forests comprise rich reservoirs of plant and animal species, many of which may be critically important to pest and disease resistance in agricultural crops. The forests contain the diminishing gene pools of parent species, from which many agricultural crops now grown as monocultures were originally bred, and which therefore may be needed in the future for breeding or synthesis if the monocultures are devastated by new diseases or other catastrophes. Other tropical species may have important potentials as pharmaceuticals. Most, however, have

not been examined by scientists, although the utility of some is known to indigenous forest people.

"A forthcoming report by the Committee on Research Priorities in Tropical Biology of the NAS concludes that the projected clearing and degradation of tropical forests threaten to cause plant and animal extinction on a scale unprecedented in history. Fully one-third of tropical organisms—some one million species—may be extinct by the end of the century and another million may disappear during the next century. Although this potential loss is one of the most difficult to evaluate in terms of social and economic implications, in the long run it could be one of the most alarming consequences of unchecked tropical deforestation. Although growing efforts around the world protect these values through the establishment of parks and reserves, they presently amount to only about 2 percent of tropical forests. According to many experts, 10–20 percent of tropical forest ecosystems should be brought under some kind of protected status if a broad spectrum of wildlife and genetic resources is to be preserved * * *." Id., p. 19.

In view of the clearly expressed, well-supported concerns of the Congress, and the reasons of policy set forth by the Interagency Task Force, it is difficult to understand why AID has proposed a Forestry Strategy which nowhere even mentions the role of tropical forests in conserving biological diversity. The Strategy should be modified to include conservation of biological diversity as a fourth overall objective. It should describe the activities AID should support in order to achieve that objective. The Interagency Task Force Report and the International Union for Conservation of Nature's "World Conservation Strategy" would be useful guides.

VI. THE NEED TO REVIEW CURRENT COUNTRY DEVELOPMENT STRATEGY STATEMENTS (CDSS'S)

Each AID Mission annually updates its Country Development Strategy Statement (CDSS), a rolling, 5-year blueprint for AID's activities in a particular country. The current crop of CDSSs is now being reviewed at AID's Washington headquarters.

An effective way to ensure that AID's country programs are taking environment and natural resource needs into account would be to make environmental performance an important criterion in the review process. Outside experts should participate, so that AID can have the benefit of their knowledge and as a safeguard against bureaucratic inertia and defensiveness.

VII. THE NEED TO SPEED UP PREPARATION OF ENVIRONMENTAL PROFILES

The environmental profiles mandated by Section 118 are a highly effective way of analyzing a country's environmental problems and identifying solutions which AID should support. The profiling process has two phases: library research and fieldwork. With respect to many countries, AID appears to be stuck at the library research stage, and not to regard the fieldwork as a priority. However, the fieldwork is crucial, both to gain a real understanding of a country's problems and to involve local people (ideally, the final profile should be prepared by them).

This process should be speeded up by establishing a firm timetable for completion of all profiles. Priorities would be based on the severity of a country's environment and natural resource problems and its apparent willingness to address them. AID funds should be allocated to support the fieldwork when the host country cannot afford to do so.

VIII. AID SHOULD SUPPORT PREPARATION OF NATIONAL CONSERVATION STRATEGIES

Environmental profiles are not the only way of identifying a nation's problems and possible solutions. The "World Conservation Strategy," issued in 1980 by the International Union for Conservation of Nature (IUCN), recommended that countries do so by preparing national conservation strategies. IUCN has set up a project to advise countries on how to prepare strategies. Others have picked up on the idea.

AID should support the preparation of these strategies whenever feasible. One country where AID support might be verty helpful is Belize, where IUCN has just completed a field mission which will soon report to the Government on the type of strategy which would be most useful.

IUCN is an outstanding organization. However, some national strategies have been proposed under other auspices, and AID also should support their preparation when feasible. AID is doing so in the Philippines, where the sponsor is a Philippine NGO.

Yet another approach to identifying problems and solutions is the preparation of national state-of-the-environment reports. Recently, a group of Indian NGOs pub-

lished a highly competent and apparently influential state-of-the-environment report for that nation. AID should support this kind of work when feasible. This could be very cost-effective; the Indian effort apparently cost only a few tens of thousands of dollars.

Of course, national conservation strategies and national state-of-the-environment reports sometimes will be alternatives to environmental profiles or parts of profiles. AID need not mindlessly prepare a profile when another document exists which serves the purpose. A first step in this area would be to request the Washington staff and the missions to report, for each AID country, whether any national conservation strategy or state-of-the-environment report has been proposed.

IX. AID SHOULD HELP MAKE NATIONS EXAMPLES OF ECO-DEVELOPMENT

In the early 1970's, Maurice Strong of UNEP popularized the idea of "eco-development," in which development activities would be designed from the start to emphasize sustainability and environmental soundness. The idea has received a lot of lip service, but actual examples have been rare, at least at the national level. UNEP currently has the goal of identifying soon four nations which would implement this principle with assistance from UNEP. UNEP would in part act as a "broker" with development aid agencies.

AID should take the lead among aid agencies in making nations models of eco-development. AID could work with UNEP and benefit from the reconnaissance work UNEP is doing. UNEP has not yet picked its four candidate countries, but one which might make sense for AID is Belize, which recently became independent, which seems receptive, where IUCN just finished a reconnaissance mission, and where AID is commencing its own program. We were disappointed that AID's proposed fiscal year 1984 program in Belize appears totally to neglect environment and natural resources.

X. AID SHOULD SUPPORT DATA COLLECTION AND ANALYSIS

This may seem mundane, but inadequate data often turns out to be the Achilles heel of environmental problem-solving, and in the case of developing countries often prevents them from recognizing that there is a problem. The environmental profile process is one good way of assisting in data collection and analysis, but AID should be active in other ways as well. For example, there appears to be great untapped potential in U.S. remote sensing capabilities. Yet, AID seems reluctant to work with NASA to explore these.

XI. THE NEED TO IMPROVE ENVIRONMENTAL IMPACT ASSESSMENT

As noted previously, AID was the leader among aid agencies in adopting formal environmental impact assessment procedures. The process appears to be working fairly well. We are pleased that AID has adopted flexible procedures which seem well adapted to AID's decisionmaking process. The last thing we want are "paper" assessments which serve no useful purpose and pull environmental specialists away from more important tasks.

However, our conversations with Agency staff have revealed several problems. First, it is felt that the Agency's commitment to the environmental procedures is slackening. There has been little recent guidance from the top as to the importance of the procedures and the need to follow them even at some expense. Second, it is said that too often an environmental assessment is performed as an afterthought and not as an integral part of project design. This largely negates the purpose of the assessment. Guidance from the top can help here, too, as can training of key Agency personnel in the purpose and performance of assessments.

In recent years, AID has begun to cooperate more closely with U.S. business. This is a healthy development, but it cannot excuse noncompliance with the environmental procedures. The procedures should govern the activities of AID's Bureau for Private Enterprise. They also should be applied to the other parts of the International Development Cooperation Agency, including the Overseas Private Investment Corporation and the U.S. Trade and Development Program.

XII. NEED FOR FLEXIBLE DISCRETIONARY FUNDS

AID is too inflexible and country-specific in its consideration of new ideas. Proposals which involve initiatives at the global level—such as the highly successful Nairobi Symposium on Environment and the Future put on by nongovernmental organizations (NGO's) last May—often cannot be considered by AID or require an unre-

alistically long time for decision. Other bilateral agencies, such as those of Sweden, The Netherlands, and Canada, are far more responsive.

The need is for funds which can be disbursed quickly and flexibly. The kinds of activities which might be funded include regional and worldwide NGO conferences and seminars; policy analysis, especially by NGO's; and other types of catalytic activities involving more than one country (e.g., training). AID should consider the establishment of a small NGO Office to administer these funds and work with NGO's.

One example of a project which should be supported is the work of the worldwide NGO Task Force on New Approaches to Development. The Task Force has established the goal of producing, in conjunction with many NGO's all over the world, a World Strategy for Sustainable Development which has the potential not only for breaking new ground in thinking about development but also for strengthening the NGO constituency for development assistance. This project is a good example, because it is potentially very important, yet is proceeding on a shoestring. Another example is a current proposal for an important first-ever meeting of Latin American NGO's, which thus far has had a cold reception at AID.

XIII. AID SHOULD MAKE BETTER USE OF NGO CAPABILITIES

AID is too cumbersome and bureaucratic in its relationship with nongovernmental organizations. Working with and funding NGO's often seems to be regarded as risky and daring, rather than a routine, effective way of doing business. AID appears to prefer working with high-overhead consulting firms which often waste money, produce poor products, and fail to involve host-country people. In many cases, NGO's would be highly effective. When AID does work with NGO's, it sometimes gives them amounts of money which are far too large for them to handle effectively and which makes it hard for them to survive the eventual termination of the grant.

Part of AID's hesitation to work with NGOs, especially citizen NGO's here and abroad which do not fall into the traditional private voluntary organization category, is based on a feeling that AID personnel do not know the capabilities or political standing of NGO's, and that it is too much work to find out in view of the small amount of money involved.

A practical answer is to use the capabilities of the Environment Liaison Centre (ELC) in Nairobi. The ELC is an umbrella group of some 200 environmental NGO's on every continent. It has a high-caliber, regionally balanced board and staff. Its primary mission is to assist citizen NGO's in developing countries by providing information, helping with fundraising, etc. With modest funding, the ELC could assist AID greatly in evaluating the capabilities and standing of NGO's in the developing world.

The ELC is funded mainly by aid agencies and UNEP. Its Executive Officer was here recently and met with people from AID, but got little encouragement, being told that he must apply to the Missions, an impractical course for a worldwide group like the ELC. This is a missed opportunity, underscoring the need for flexible funds of the kind suggested above. AID should not only hire the ELC as an adviser on the capabilities of developing-country NGO's, but should support other ELC-sponsored activities (e.g., the proposed first-ever regional meeting of Latin American NGO's and the ELC's small grants program for developing-country NGO's).

AID also would benefit from a closer relationship with citizen NGO's in this country, which increasingly are interested in development issues. Some relationships of this kind now exist, but they are not very common or very strong.

XIV. THE NEED FOR STATEMENTS BY THE ADMINISTRATOR

Administrator McPherson should send strong signals about his interest in environment and natural resources. These might take the form of speeches, testimony, or cables. There is a need to ensure that his own top staff shares his commitment.

XV. IMMEDIATE STEPS

In brief, AID should:

1. Prepare a report on the number and status of new and proposed environment and natural resource projects; make sure these projects are a high priority; and take steps to ensure that projects funded in the past are adequately implemented.
2. Begin preparation of an agencywide natural resources strategy.
3. Ensure that the forestry strategy reflects environmental concerns.
4. Begin immediately a review of the current CDSSs, with assistance from outside experts.

5. Establish a firm timetable for completion of all environmental profiles and establish a policy that AID will fund them if the host country can't.

6. Support national conservation strategies and national state-of-the-environment reports wherever feasible; begin by asking Washington staff and Missions to report, for each AID country, whether any such initiative has been proposed.

7. Announce a policy of helping to make nations models of eco-development, working with UNEP. (One possibility: Belize.)

8. Prepare a report on possible AID remote sensing initiatives.

9. Establish a central fund to meet needs which are not country-specific quickly and flexibly. (Examples: The work of the NGO Task Force on New Approaches to Development; a meeting of Latin American NGO's.)

10. Send signals that it is all right to work with NGO's, as by funding the work of the NGO Task Force; fund the Environment Liaison Centre to advise on capabilities of developing-country NGO's, and support other ELC-sponsored activities; establish high-level, informal relationships with U.S. environmental groups.

11. Signal the Administrator's personal interest through speeches, testimony, cables; ensure that other top staff share the Administrator's commitment.

The CHAIRMAN. Thank you very much.

Paul Nelson, please.

To the extent that we exceed the 2-minute goal, it will cut into our question time. We all have had the testimony since last night—I read all of it—so that to the extent you can summarize it, the Chair would appreciate it.

STATEMENT OF PAUL NELSON, ISSUE ANALYST, BREAD FOR THE WORLD, WASHINGTON, D.C.

Mr. NELSON. I will avoid exceeding that goal, Mr. Chairman.

I represent the views of Bread for the World, which is a Christian citizens organization attempting to have an impact on the problem of hunger by influencing public policy.

Bread for the World's central concern with respect to the foreign aid package is that our aid be as effective as possible in increasing the productivity and improving the lives of poor people in the developing world.

We have a number of concerns with respect to this year's foreign assistance package, which again this year proposes sharp increases in military and security assistance while adjusting development and humanitarian aid less than enough to account for inflation.

Today, though, I would like to focus on two particular items, both having to do with development assistance. The first is spending for AID's health account. The second is the overall effectiveness of development assistance in reaching the poorest people within developing countries.

The committee has already heard questions and comments with respect to the health account. I will shorten my remarks to say that this committee 2 years ago rejected the administration request that would have lowered the level of health spending in the AID account by some $15 million.

Congress followed this committee's lead and funded the program at $133½ million and did so because it is widely understood that health changes and health assistance, as I have commented at more length in my full statement, is vitally important to the productivity and to the strengths of developing country's economies, as well as to the well-being of people who are its immediate recipients.

Bread for the World, for this reason and for reasons that are outlined at more length in the written statement, would urge the committee to reject the decrease in health funding to keep health a higher priority, to fund it at at least the $133½ million at which it is operating and has operated under the continuing resolution.

With respect to a related matter, the overall effectiveness of the $1.4 billion development aid program in reaching the poor, last May this committee reaffirmed its support for strategies that insure real impact on the lives of poor people. They passed language that required that 50 percent of AID's development assistance budget be spent in such a way that it directly benefited people living in poverty. The House passed somewhat stronger language on the floor which we regret was weakened somewhat because the Appropriations Conference Committee approved only a 40 percent phase-in provision for this target.

Bread for the World believes that this requirement should be extended to cover beyond the year 1983 and strengthened.

Mr. Chairman, we have studied some 40 development projects that we have selected at random from AID's development portfolio, and we have found a result which disturbs us: that only 25 percent of the development aid funds financing goods and services in this sample, only 25 percent of those funds were directly benefiting people whose incomes fell beneath the World Bank's absolute or relative poverty lines.

To restate this in another way, only a quarter of U.S.-financed development aid went to roughly the poorest half of the developing world's people. The primary reason for this, in our view, is an excessive reliance on the strategy of building national government institutions.

There are examples cited in my written statement which I will, for the sake of brevity, skip over. There are also examples within AID's present portfolio of very successful and important projects working directly with people in the poor community, especially in the area of health, but in areas that increase the productivity of poor people, and that give them the opportunity for the kind of self-help development that we know this committee has been committed to within the foreign assistance legislation.

This requirement targeting aid would not exclude any kind of assistance; rather, it gives greater priority to assistance that benefits the poor directly. We would urge the committee to continue the requirement and to extend it for future fiscal years and increase that requirement to its initial proposal of 50 percent.

[Mr. Nelson's prepared statement follows:]

PREPARED STATEMENT OF PAUL NELSON

Mr. Chairman, I am glad to appear before this distinguished committee today to discuss the United States' foreign assistance program, and the budget proposals for that program in fiscal year 1984. I will be presenting Bread for the World's views on this topic, with particular attention to aid's impact on the poorest people in developing countries.

As you may know, Bread for the World is a Christian citizens' movement which seeks to alleviate hunger by influencing public policy. We have members in every state and congressional district, with a total of about 43,000 nationwide.

Mr. Chairman, Bread for the World's central concern with respect to United States foreign assistance is that our aid be as effective as possible in increasing the productivity and improving the lives of poor people in the developing world. We

have several concerns regarding the entire foreign aid package, which again this year proposes sharp increases in military and security assistance while adjusting developing and humanitarian aid less than enough to keep pace with inflation.

But today I should like to focus on two topics specific to bilateral development assistance, the portion of our aid package which is given by the Foreign Assistance Act as its "principal purpose . . . to help the poor majority of people in developing countries to participate in a process of equitable growth through productive work. . . ." (Sec. 102(a)). These two topics are: (1) spending for AID health account; and (2) the overall effectiveness of the development assistance program in reaching poor people within the developing countries.

Our positions on these two topics are based on our concern that scarce development aid resources be spent so as to produce the greatest real, lasting impact on the lives of poor people.

AID HEALTH ACCOUNT

Mr. Chairman, despite this committee's strong support for spending on health assistance, this year's budget request decreases health spending by one quarter, from $133 million to $100 million. Bread for the World believes that this level should be restored at least to last year's level of $133.5 million, and indeed increased to authorize more aid activities in this particularly effective sector of aid operations.

Two years ago this committee rejected a proposed $15 million cut in AID's health account for fiscal year 1982, restoring $7.5 million of this amount. It was argued that investment in health activities was an especially productive use of aid funding, as improvements in health mean greater productivity for millions of people living in poverty. It is common sense to say that the productivity of workers and farmers is sharply reduced by debilitating disease. Hard research has verified the importance of health to the strength of developing economies. One World Bank study shows that a malaria control program in the Philippines reduced absenteeism in the workplace from 35 percent to 3 percent. A study of farmers in Paraguay suffering from malaria shows that "severely affected families obtained lower yields, cleared less land and avoided cultivating crops that regarded labor at specific times" of year (World Bank, "World Development Report," 1980, p. 55).

AID health activities have been especially effective because of a strategy known as primary health care, under which villagers are taught basic public health skills and equipped to deliver basic health services and knowledge about public health practices in their own communities. This strategy is inexpensive, cost-efficient, and it imparts skills that remain long after the American project officer leaves the country. Primary health care, coupled with practical bio-medical research working toward the prevention of malaria and other tropical diseases, has made health activities perhaps the most effective of American aid efforts.

These are among the reasons why the Congress followed this committee's lead and increased funding for health two years ago, from the $120 million initial request to $133.5 million. That funding level was extended under last year's Continuing Resolution for fiscal year 1983. But this year again the Administration budget request shows a sharp decrease, to $100 million. Bread for the World urges the committee to reject this decrease and stand by its support for AID health funding. The fact that AID has identified a low-cost, effective health strategy is no reason to shift funds away from that sector. AID should instead keep at least last year's $133.5 million in health funding, where we know we get results for our aid dollars.

TARGETING DEVELOPMENT AID TO THE POOR

The proposed shift of funding away from health spending is a symptom of the second concern I wish to discuss, Mr. Chairman. Bread for the World's research indicates that the vast majority of those persons who receive goods and services financed by U.S. bilateral development aid are not the poor. I will expand on this concern, and describe concrete legislative steps that would increase the poverty-orientation of our development aid program.

Last May this committee re-affirmed its support for aid strategies that assure real impact on the lives of poor people. It passed language requiring that at least 50 percent of AID's $1.4 billion development assistance budget be spent in such a way that it directly benefits people living in poverty. Although the House passed somewhat stronger language as an amendment to the continuing resolution, the Appropriations Conference Committee approved only the 40 percent phase-in language that applied to spending in fiscal year 1983. This measure must now be extended to fiscal year 1984 and future years, or it will simply disappear. Bread for the World believes that the requirement should be strengthened and extended.

Although the Foreign Assistance Act is replete with policy language calling for primary attention to improving the productive capacity of the poor majority in developing countries, most U.S. development assistance fails to accomplish this end. Bread for the World has studied 40 development aid projects, selected at random from among projects initiated in fiscal years 1980 and 1981. In this sample, only 25 percent of development aid funds financed productive facilities or other goods and services such as irrigation, roads, health care, agricultural credit for small farmers that were used by those whose income falls under the World Bank's absolute or relative poverty lines, a group comprising approximately 50 percent of the developing world's population. To restate: only a quarter of U.S.-financed development aid went to roughly the poorest half of the developing world's people.

The primary reason for this is an excessive focus on building national government institutions. In Sierra Leone, for example, AID is spending $772,000 to help the government's Ministry of Finance computerize its tax collection system. In Indonesia AID is planning to spend $9.3 million to improve English language instruction, mainly in government teacher-training institutions. And in Haiti, AID is spending $5 million to provide studies, training and analyses for government officials in Haiti. All too often the benefits of such aid fail to extend beyond the walls of offices in the capital city.

The alternative to this strategy of national institutional support is not a handout approach, but one stressing the wage-earning capacity and agricultural productivity of poor people themselves. Many successful AID activities show this approach to be practical and successful both in raising the incomes of poor families and in strengthening the economies of developing countries. In Upper Volta, women in a subsistence farming area have utilized an AID loan, through a private credit cooperative, to establish businesses that grind and market peanuts, raise poultry, sell crafts and repair farm equipment. In the Philippines agricultural research carried out not at a national research institution but on the land of small farmers and with their cooperation, is revealing new cropping methods and establishing the understanding and confidence of poor farmers in such techniques.

Neither women in Upper Volta nor Filippino farmers needed a stronger government institution. They needed real aid that involved them and allowed them the opportunity to become more productive.

The requirement that 50 percent of development aid be targeted to the poor would not exclude any kind of assistance. By placing emphasis on the productivity of poor people it would encourage aid that works directly with them, and would encourage research efforts to focus on activities and technologies directly applicable to the needs of the poor. It would promote the transfer of technologies as well as of health care, agricultural credit and other resources. And it would encourage the involvement of private, voluntary organizations in the aid program.

The state of the global economy makes special attention to the poverty impact of development assistance programs urgent. Hard economic times, huge debts, and the resultant cutbacks in productivity and government spending in developing countries hit hardest at the poorest groups, those most in need of health care and education, those least able to obtain increasingly scarce fertilizer, credit, and food.

Mr. Chairman, much of the attention of the foreign aid and financial community is focused this year on the massive national debts facing many poor countries. As we take steps to relieve that debt and cushion the impact of the worldwide recession on poor countries, it becomes doubly important for development aid.

AID's report to Congress on the percentage of development aid now directly benefiting the poor is due in June. If that report finds that more than 50 percent of the aid budget is now benefiting the poor directly, a requirement in the law will assure that this level not slip lower. Regardless of the report's findings, Bread for the World believes that the target should be extended to future fiscal years and increased to 50 percent.

Mr. Chairman, Bread for the World is grateful for this Committee's close attention to the United States aid program, and to the needs of the world's poor. We urge you to continue this focus by enacting strong measures to direct more self-help development aid to the world's poorest groups. Sitting in Washington it can be hard to imagine the effects of U.S. legislation on the people of a distant continent. Yet for an impoverished family living in a rural area of Africa where almost half of the children die before they are five, a determined effort to get U.S. aid through to the poor could make a very great difference in their food supply, their livelihood, and the life and health of their children. Because of these human consequences getting U.S. development aid to the poor is a matter of urgency.

The CHAIRMAN. Thank you very much.

Now, Elise Fiber Smith.

STATEMENT OF ELISE FIBER SMITH, PRESIDENT, PAID [PRIVATE AGENCIES FOR INTERNATIONAL DEVELOPMENT], WASHINGTON, D.C.

Ms. SMITH. Thank you very much, Mr. Chairman. I am very happy to be here.

I am the executive director of the overseas education fund of the League of Women Voters and the president of Private Agencies for International Development, and I am here to testify on behalf of the Private Agencies for International Development which constitute over 90 agencies that have a particular orientation to development work in the Third World, and who come together to represent or work together on common concerns.

We were incorporated in 1982, and I think this dynamic movement of such a large number of the private voluntary organizations and cooperatives is an indication of how much concern we put on what is happening with the U.S. foreign assistance and development concerns in terms of where the United States itself is going.

Rather than going into more detail about what PAID is, I would rather talk briefly about some of the concerns some of our members have expressed regarding the foreign aid authorization bill.

I must emphasize that since we encompass over 90 U.S. private voluntary agencies and cooperatives, we represent a long and broad continuum reflecting the diversity of the American public.

I think the one thing that binds us all together, is the very significant priority we attach to development assistance as being extremely important to our foreign assistance program overseas.

So in that light, concerns have been brought forward by our membership, which represents over 80 million Americans, 50 States of the Union, and we work in 100 countries around the world, about the growing imbalance between the security assistance and economic development assistance.

Another thing that is of importance to us, is AID's growing emphasis on stimulating private enterprise, and we consider ourselves as private voluntary groups, part of that private sector pool. We laud the idea of trying to stimulate more involvement of the private enterprise sector in development activities.

But at the same time there is a growing concern that in the allocation of resources, which is a difficult problem in these times, resources do not diminish resources to the health sector and to the international organizations as AID moves ahead creatively in this other private enterprise sector activity.

We think there are many PAID members that are interested in that because they work in small industry and agribusiness activities in the developing world on a people-to-people basis.

Third, there is a recognition by you, Mr. Chariman, and your committee of the potential for private voluntary agencies to carry out a great deal more activities in the development arena in the Third World. We are a true arm of U.S. development activities and reflect the American people. However, we do have a concern that your target of 16 percent foreign assistance being channeled through the PVOs as an arm for development activities has not

been met, and we feel that of these 90 agencies that the Private Agencies for International Development represent, we are a resource that is ready to utilize that on behalf of development.

So, with that, I will close my remarks and I thank you for the opportunity of being able to testify.

[Ms. Smith's prepared statement follows:]

PREPARED STATEMENT OF ELISE FIBER SMITH

Mr. Chairman, members of the committee, I am Elise Fiber Smith, Executive Director of the Overseas Education Fund of the League of Women Voters (OEF) and president of Private Agencies in International Development (PAID). It is on behalf of PAID that I am presenting this testimony.

It is a privilege for me to be here today to familiarize you briefly with PAID and express our views regarding the 1983 Foreign Aid Authorization bill.

PAID was incorporated in 1982 to provide a vehicle for development-oriented private and voluntary organizations (PVOs) and cooperatives to work together on issues of common concern. Today, we have over 90 member organizations and that number is still growing. These agencies have constituencies numbering over 80 million Americans in all of the 50 States. Our member agencies work in nearly 100 countries around the world and play an increasingly significant role in the development assistance process.

One of the most important assets of the private voluntary agencies is their diversity; they truly represent the broad spectrum of people and interests that make up the United States. Philosophically and politically, they extend across the board, and their approaches to development assistance are just as varied. But, there is one thing they do agree upon; it is what holds PAID together and it is the principal message I bring to you today. This message is simple: In order ultimately to be effective, any U.S. foreign assistance program must include a major focus on development assistance.

This view is reflected in the proposed increases for development assistance in sections 103(a)(2), 105(a) and 106(e)(1) of the proposed bill.

Many of our members are concerned that the proposed figures reflect disproportionately high increases in security assistance.

The fact that foreign assistance is becoming increasingly skewed in favor of security assistance is of deep concern to our membership who feel that such an emphasis is to the detriment of economic development efforts and human rights.

The Administration has communicated that foreign policy interests must be balanced with development assistance. Such a view implies that foreign policy interests and development assistance are not compatible. Our opinion is that the two are indeed consistent with each other—improving the lives of poor people should be an important part of our foreign policy.

Regarding the development assistance process, PVOs have an increasingly important role to play. Not only are their programs effective, both short and long term, but they also tap vital private sector resources while providing a true link between the citizens of the United States and the people of other countries. In 1981, PVOs spent over 1.5 billion private contributed dollars on development—above and beyond any money contributed by the U.S. Government.

The effectiveness of these privately operated programs is becoming increasingly well-recognized, both in Congress and in AID. The 1982 Foreign Assistance Authorization contained language instructing AID to aim for increased support of private development assistance efforts, and many PVOs are working toward a new level of partnership with AID. This is a positive direction because we believe that in many circumstances private agencies can be effective where governments cannot.

The Administrator of AID, Mr. McPherson, who gave testimony before the House Foreign Affairs Committee and to this committee earlier today, exemplifies in his comments an increasing awareness of the PVO potential and the desire of AID to work in a more collaborative manner with the PVO community:

He listed as one of AID's four priorities of the development effort "involvement of the private sector," both from private enterprise and from the non-profit organizations such as PVOs.

The proposed establishment of a Private Sector Revolving Fund which would contain up to $20 million, in addition to other funds available for private sector activities under other authorities. The Revolving Fund would help promote and expand small and medium private enterprises, enterprises that have a close kinship with PVOs. However, we would hope that the foreign aid appropriation would be in-

creased so as not to penalize the health sector and international organizations where reductions are proposed.

The request has been made for an allocation of $182.4 million for the Section 106 account. Funding for PVOs will only be 13.1 percent of the development assistance program in 1984.

Although this percentage is within the legislative mandate put forth by this committee, it has not increased at a proportional rate with the Administration's encouragement of the private voluntary organizations.

We in PAID view these initiatives on the part of the Administration as first steps toward what we hope will be increased support for the role of the private voluntary sector in development assistance overseas.

Thank you for your attention.

The CHAIRMAN. Thank you very much indeed.

Fred Pinkham, please, president of Population Crisis Committee.

STATEMENT OF FRED O. PINKHAM, PRESIDENT, POPULATION CRISIS COMMITTEE, WASHINGTON, D.C.

Mr. PINKHAM. Thank you, Mr. Chairman.

Just to note that Population Crisis Committee is a private, nonprofit organization, receives no funds from AID or from the Federal Government.

Since this committee is well versed in population problems, I will omit much of the substantiation I might otherwise have given.

The funds requested by the administration for population in the 1984 budget are not—and I underline—not adequate. In real purchasing power they represent only 66 percent of the funding provided for population over 10 years ago.

As Senator Mathias said yesterday and again today, the Global 2000 report called for funding more than double the amount being requested for the present budget. The population growth problem has apparently been shoved to the back burner by the administration, but the pot is still boiling over, and it will continue to do so.

World population is growing more rapidly now than ever before, at the rate of about 75 million a year, and it is on the rise. I am sorry that we have lost the sense of urgency the situation warrants.

1984, Mr. Chairman, is the year of the U.N. Conference on Population in Mexico City. To my knowledge, to date the United States has not made a contribution to the conference, and this is sending a very unfortunate signal to those countries that have and to those that have not made contributions.

Expected at the conference will be about 100 nations from around the world. This flagging of interest in population comes at a time when the President of the United States at economic summits, the AID Administrator himself, and other officials of the administration are speaking out strongly for population, but the reduction in funds simply does not match the rhetoric. I find this embarrassing in international relations.

Population assistance is the most cost-effective investment we can make in world economic and political security, peace, and humanitarian affairs. Every unwanted birth averted represents hundreds of thousands of dollars in a lifetime of unneeded educational, medical, and other social services, and a savings in energy and other things.

We should take greater advantage of the private organizations and of the multinational agencies such as the United Nations Fund for Population Activities and the International Planned Parenthood Federation. These organizations enhance U.S. contributions with donations from dozens of other sources. We should use the economy of their networks, which include volunteers, and established offices in various countries around the world, and there is much other substantiation for that.

Funding for these agencies' population programs comes from AID's central population office. Funds for this office have been cut for 1984 by AID—UNFPA alone by $8.8 million. I think this is shortsighted. The money should be restored.

I should cite before leaving this point, Mr. Chairman, that the IPPF has affiliates in 96 countries, manned and supported almost entirely by local volunteers. This is the kind of enterprise the United States should be promoting to the fullest.

These multilateral agencies, private organizations, indeed AID itself, have substantial backlogs of worthy population projects in the less developed countries amounting to well over $200 million—$80 million of this is in AID alone—backlog.

I do not know why, when it professes strong support for population, AID does not forthrightly seek more funding for it. By earmarking, as was done for UNFPA in fiscal years 1982 and 1983 or by report language or by some other formula, support to multilateral agencies and to the private organizations in the population field should be funded at least at the present level and preferably at substantially higher levels.

The pace of strategic decisionmaking around the world today is increasing, and the ability of the developing mode through projectizing AID assistance cannot keep pace with those strategic decisions.

I hope the Secretary's new Special Commission will take a look at this widening gap between the pace of strategic decisions and the ability of AID and development programs to keep pace, as we have seen in Egypt.

[Mr. Pinkham's prepared statement follows:]

PREPARED STATEMENT OF FRED O. PINKHAM

Mr. Chairman, I appreciate the opportunity to provide this written statement. I am Dr. Fred Pinkham, President of the Population Crisis Committee, a private nonprofit organization without funding from AID or the U.S. Government.

Less than 3 years ago, the Global 2000 Report underscored rapid population growth as one of the world's most serious problems.

After extensive analytical work in twelve federal agencies and with the consultation of over 130 expert advisors, this report made well-documented careful, sobering projections, which I bring again to our attention.

By the year 2000:

"Enormous growth" will occur in the world's population—more than 2 billion people added in the last quarter of this century alone.

Megacities will develop, with Mexico City, for example, almost tripling from 10.9 million to 31.6 million in 25 years. Calcutta, Greater Bombay, Greater Cairo, Jakarta, Karachi and Seoul will be in the 15–20 million range. We Americans are used to concerns about poverty and urban density in metropolitan Los Angeles or Chicago—with 10 and 7 million people respectively. Consider what it means to be desperately poor in cities as large as 15, 20, 30 million; cities which double in size, on an average, every 18 years.

Rapid urban growth will mean that by the year 2000 LDC's will have had to increase urban services two-thirds just to stay even with 1975 levels of services per capita.

In the rural areas, one hectare of arable land will have to support 4 persons, contrasting with the 2.6 persons the same land supported in the early 1970's.

In the LDC's generally rising food output will, as the report explicity said, "barely keep ahead of population growth." In South, East and Southeast Asia, poor areas of North Africa and the Middle East and Central Africa "the quantity of food available to the poorest groups of people will simply be insufficient to permit children to reach normal body weight and intelligence . . ."

Per capita potable water supplies will decline by 35 percent because of greater population growth.

The Global 2000 report repeatedly emphasized that the population projections upon which the other land use and environmental projections rest assumed "extensive policy changes and developments to reduce fertility rates." Less extensive changes, less intensive effort worsens these and all projections of the report. Fortunately, we now have the technical knowhow needed to reduce birth rates, and to do so fairly quickly. What we lack is the political commitment to make knowhow accessible.

Following publication of the Global 2000 Report, a budget of $346 million for population assistance was proposed for fiscal year 1982 by the outgoing Administration. In January 1981 the Council on Environmental Quality described a $500 million budget as the appropriate level for the population assistance program of the Agency for International Development.

But the new Republican Administration, although initially claiming population programs to be high priority, reduced the outgoing Administration's budget request of $346 million to $235 million and later to $211 million. Their requests have not gone above this level since, and for fiscal year 1983 actually dropped to $201 million. Most other AID programs have fared much better.

Mr. Chairman, this illustrious Committee has called many times for the kind of intensive effort needed to avert the destabilizing and tragic conditions in the developing nations that are predicted by the Global 2000 Report. Your call for action is both wise and wholly reasonable.

It is now clear that with a rather modest investment of increased resources, contraceptive practice could be perhaps doubled over the next 5 to 10 years and the rapid pace of population growth slowed substantially. This is why:

In the late 1960's, when Congress first earmarked funds for population assistance, contraceptive prevalence in LDC's was estimated at 3 percent of reproductive age couples. It is now estimated at over 20 percent.

Studies presently show that two in three women of child-bearing age worldwide still effectively lack access to modern contraception.

Other studies report that half the married women in LDC's want no more children right now; 30 percent described their last birth as unplanned and unwanted. Yet 50 percent of these women do not use modern contraception.

Virtually every developing nation has now instituted policies supportive of family planning—a dramatic turnaround from the 1960's. Many key developing countries (Mexico, Egypt, Kenya, Pakistan, Bangladesh, Thailand and Indonesia, for example) consider population pressures to be one of their most serious, if not the most serious development problem they face.

This new policy climate is producing a dramatic upswing in LDC requests to the United States and to the United Nations Fund for Population Assistance. A backlog of $250 million in projects are unable to be funded because of the ceilings on the AID budget and its impact on United States and other donor contributions to multilateral and private nonprofit programs. In our judgment, doubling the U.S. population assistance program—investing in dollar terms an additional $200 to $250 million—would lead the way for other industrialized nations to the same. This $200 to $250 million increase represents less than: .03 percent of 1 percent of this year's Presidential budget requests; .1 percent of 1 percent of the interest on the Federal debt; and .2 percent of 1 percent of the military budget (that is, the funds requested specifically for national defense).

A $200 to $250 million increase represents about 2 percent of the total foreign assistance budget.

A small sum to solve one of the world's most critical problems. Senator, in this effort which you yourself have long supported, we see signs of success, even as the need reaches an all time high. This is precisely the psychological moment when we should give encouragement by increasing our funding.

Furthermore, modest increases in funding would return multiple benefits in humanitarian, economic, and political dimensions. Population assistance is the most cost-effective investment we can make in internatioinal development efforts. A study of population programs in Korea, for example, reported that the $41 million spent from 1962 to 1973 saved $2.9 billion in unrequired government expenditures.

I have just described the elements of a sound and fiscally responsible policy—one which responds to needs of serious proportions by building on an existing momentum toward workable solutions and by supporting highly cost-effective approaches. I'd like to turn to a discussion of the current policy response to the pressing need and demand for international population assistance. I would like to highlight several areas which deserve serious consideration by this Committee.

First, the funds requested by the Administration for population in the 1984 budget ($212 million) are inadequate. In real purchasing power, this represents only 66 percent of the funding provided for population over 10 years ago.

Second, the Agency for International Development is shifting funds away from private organizations and from multilateral agencies. These organizations enhance U.S. contributions with donations from dozens of other sources. We should use the economy of their networks which include volunteers and established offices paid in part by local, private and other government donors. They reach countries in great need where the United States has no mission, provide continuity as governments change and stimulate the involement of local citizens. The International Planned Parenthood Federation, for example, has affiliates in 96 countries manned and supported almost entirely by local volunteers. This is the kind of enterprise the United States should be promoting to the fullest. AID is cutting the program of fiscal year 1983 and fiscal year 1984. Funds for the Population Office which supports private non-profit organizations have been cut by AID by almost $10 million since fiscal year 1981. With regard to the United Nations Fund for Population Activities, for fiscal year 1984 AID is proposing an $8.8 million cut, from the $34 million mandated by Congress in fiscal year 1982 and fiscal year 1983 to $25 million.

Third, short-term political objectives are being given an undue share in AID's decisionmaking about population and other development assistance. Slowing the pace of rapid population growth is an objective particularly suited to long-term, substantive policymaking. While U.S. foreign policy objectives have their appropriate role in that decisionmaking, the judgments of experts in both family planning policy and program implementation must be given a respected, prominent place in the development of budget recommendations to the President and in the decisions about allocation of funds appropriated by Congress.

As we are seeing in Egypt, and could soon see repeated in Pakistan, the implementation of effective development assistance programs is a long-term process which should not be expected to keep pace with quickly made strategic decisions. Of course, we must also find ways to speed implementation of development assistance programs both inside AID and abroad.

Fourth, the United States has, so far, failed to make a contribution to the 1984 United Nations Conference on Population. This conference will be held in Mexico City during the 10th Anniversary of the landmark conference in Bucharest in which the United States played an important part, with Secretary Weinberger serving as head of the U.S. delegation. Over 100 nations will attend. The absence of a U.S. contribution, together with the flagging U.S. leadership and financial support to population assistance generally sends an unfortunate signal, intended or not, to the many nations that have made contributions.

The Administration's failure to respond to the terrible trends documented by the Global 2000 Report with appropriate increases in the budget requirement for population assistance, along with its tendency to favor politically motivated bilateral programs over proven private non-profit and multilateral activities, has already produced serious cuts (up to 30 percent) to some of the most important and successful ongoing population programs. Private non-profit programs in Latin America have been especially hard hit. New initiatives in the social marketing of contraceptives and the training of paramedia personnel in family planning—both critical efforts to expand services beyond the urban clinic setting—have been cut back or postponed.

I can think of no reason why, given the uniquely successful and cost-effective track record of so many private population programs, that the administration would choose to reduce the funding available to them. I can think of no reason why, in the year of the U.N. World Population Conference that the Administration would reduce its support of the U.N. population program.

AID officials claim that they are making the best of a tight budget situation. But the real question is: why have they asked for only a $1 million increase for population assistance, but $43 million more for other development programs? How can

they justify an 11 percent increase for the Economic Support Fund and a 21 percent increase in military assistance, but essentially no increase for a program which so vitally affects medium- and long-range prospects for a peaceful and prosperous world?

I can only assume that this administration has made a conscious decision, perhaps to satisfy certain domestic advocacy groups, to soft pedal and even in some cases defund international family planning programs. If so, they have chosen political expediency over the interests of this and many generations to come.

My recommendations, Mr. Chairman, are few and carefully chosen:

Congress, which took the initiative in the late 1960's to force AID's attention to population program problems, and which has year after year, raised the administration budget proposal for population assistance, will have to do so again and will have to take steps which assure that these increases are directed to programs of demonstrated effectiveness.

I recommend that the budget level be authorized at $275 million for fiscal year 1984 (an increase commensurate with military assistance increases), with steady increments each subsequent year so that the $500 million recommended in the 1981 Council on Environmental Quality report be reached within a few years.

By earmarking, as was done with regard to UNFPA in fiscal year 1982 and 1983, by report language or by some other formula, multilateral agencies and private organizations in the population field should be funded at least at the present level, and preferably at substantially higher levels. Instructions to AID must assure that funds voted by Congress for population will be used for population and not transferred internally to underwrite inadequately funded operating costs or to bureaus which have other functions and purposes.

A contribution of at least $200,000 should be made to the World Population Conference and a supportive high-level delegation assembled and encouraged to begin participating in the planning for this significant gathering of nations.

Finally, with regard to the apparent trend toward politicization of foreign assistance, I recommend that Congress request an accounting from the Agency for International Development, reporting where bilateral population aid is allocated, the justification that supports this allocation and the results achieved. I hope that Secretary of State Shultz, who announced to you this week his intention to name a new bipartisan commission to examine foreign assistance, will be encouraged by this Committee to give every consideration to the suitability of long-term policy planning and decisionmaking to the resolution of worldwide population pressures.

The CHAIRMAN. Thank you, Mr. Pinkham, very much indeed.

Senator Sarbanes, I wonder if you would be good enought to call Mr. Larry Minear next and then Davidson Gwatkin and begin your questioning, and then I will be back before you have finished. I have an urgent session I have to sit in on for a few minutes over in the Capitol.

I thank you very much.

STATEMENT OF LARRY MINEAR, INTERRELIGIOUS TASKFORCE ON U.S. FOOD POLICY, WASHINGTON, D.C.

Mr. MINEAR. Thank you, Mr. Chairman.

Our written statement suggests, on behalf of the Interreligious Taskforce on U.S. Food Policy, that this year's congressional review of the foreign aid proposal takes place in a different context than in previous years. We suggest, for example, that the international economic recession is taking a far more serious toll on developing countries than had been expected.

We suggest that the crisis in multilateral development cooperation is much more serious than many realize. We have seen that this morning in the colloquy between you, Senator Sarbanes, and the administration about UNICEF. We have seen it in the colloquy between Senator Pell and the administration about UNEP. We could see it also if we looked at the U.S. attitude toward the International Fund for Agricultural Development.

Not only is the administration's attitude toward the multilateral organizations damaging to the United States, but it is damaging, of course, to the U.N. agencies as well.

Third, the competition this year between foreign aid and domestic social programs is, we think, considerably more intense than in the past. However, in our view the real competition is not between foreign aid and domestic human needs, but it is between military spending, both at home and through the foreign aid program, and human needs expenditures both at home and overseas.

With these kinds of considerations as background, we in our written statement make a series of recommendations to the committee. The overarching one of these is that a better balance needs to be struck within the foreign aid program between development assistance and security assistance. You have already pursued this line of questioning, Senator Sarbanes, this morning, and Senator Percy's and Senator Pell's comments reinforce the point that we are making.

We point out in our statement that the mix within the foreign aid program is being drastically altered by the Reagan administration. If you look at this year's budget request as against the program as it was at the end of the Carter administration, the Reagan administration will have added $8 in security assistance for every $1 added in development assistance, so the balance is indeed shifting significantly.

The Secretary of State made headlines today by observing, and I quote, "The total cost in tax dollars for all of our security and economic assistance programs is $43.91 per person." While he is certainly right in observing that this is a modest amount compared with what Americans spend on personal amenities, it would have been more telling for the comparison to have been disaggregated. If you disaggregate that, Americans are spending through their Government only $16.60 on basic human needs programs overseas as against $26.82 in security assistance.

Also, the comparison I think would have been more telling had it been between what the U.S. Government is spending on foreign aid programs as against what it is spending on other activities rather than between what the U.S. Government is spending on foreign aid as against what private citizens are spending on other kinds of activities.

We therefore recommend sharp cuts in both military assistance and the ESF program based on our view that the underlying cause of instability and upheaval in the Third World is mass poverty and hunger, and that in responding to these underlying problems, development assistance rather than security assistance needs to be our favored, our predominant response.

We, in our statement, then go on to look at the administration's proposals for both Africa and Central America and the Caribbean, and point out that the same imbalance that we see in the global program is indicated in the proposed U.S. response both to the African food crisis and to the continuing turbulence in Central America.

We also called for upgrading of our contributions to multilateral assistance agencies, citing in particular the need to do better by specialized U.N. agencies such as UNICEF, UNDP, UNEP, IFAD,

and the world food program, also the voluntary fund for the U.N. Decade for Women, and IDA.

In conclusion, then, let me observe that one of the strongest motivations of many of those who have traditionally supported foreign aid has been concern for the world's poor. That concern continues to be widespread, even amid hard times in the United States and despite the deepening alienation of many from a U.S. foreign aid program which responds to global hunger and poverty more and more in military and security terms.

We therefore urge this committee to make changes in the administration's proposal for the balance of fiscal year 1983 and for fiscal year 1984 which will render the foreign aid program once again supportable by this constituency.

Thank you, Mr. Chairman.

[Mr. Minear's prepared statement follows:]

PREPARED STATEMENT OF LARRY MINEAR

I am Larry Minear, member of the Board of Directors of the Interreligious Taskforce on U.S. Food Policy and representative for development policy of Church World Service/Lutheran World Relief.

The Taskforce is a coalition of over two dozen national Protestant, Roman Catholic, Jewish, and ecumenical agencies whose representatives work together to secure justice for the world's poor and hungry people. A major goal is to promote U.S. assistance policies and programs which will alleviate poverty and improve the lives of the poorest people in the developing countries.

The annual policy-making ritual is upon us. The administration has sent its budget and legislative requests to the Hill. Those requests are now amplified and defended by a stream of official witnesses. Public witnesses are taking their own turn at bat, each with rather predictable reactions and recommendations. Members of Congress and staffs are preparing to put their own imprint on what, if all goes according to schedule, will be the U.S. foreign aid program for the next 30 or so months.

As all of us go through our paces—and for the Interreligious Taskforce this is our ninth year of testimony—it is easy to lose sight of the fact that this year's annual ritual takes place in a world significantly different from previous years. Let me touch briefly on some of the new elements in the picture which need to provide the backdrop for reviewing the administration's foreign aid request.

1. The international economic recession is taking a far more serious toll than anticipated on developing countries.—"Never before have so many (developing) countries simultaneously reached their days of economic reckoning," writes the Chairman of the Development Assistance Committee of the OECD in his 1982 Review of Development Cooperation. Yet for such countries, particularly the poorest, to make the necessary adjustments "is a particularly treacherous course when all the world is in an economic slump." The 1982 World Development Report of the World Bank also expresses "grave concern" about developing countries, for whom "the most salient features of an unfavorable international outlook for the 1980's are less aid, continued weakness in commodity prices, deteriorating export opportunities, and poor prospects for commercial borrowing." Many developing countries have unemployment three and four times as great as our own, with little or even negative growth in per capita GNP forecast through the end of the century.

2. The United States is becoming increasingly profligate in its use of food resources.—As American agricultural productivity outdistances domestic and international commercial demand and as the costs of U.S. farm programs escalate, the pressure rises for subsidizing U.S. agricultural exports, with potentially negative consequences for developing countries. Meanwhile, international food security arrangements continue to be conspicuous by their absence while hunger continues unabated in many Third World countries and regions. The January issue of the U.S. Food and Agriculture Organization's Global Information and Early Warning System reports abnormal food shortages in 28 countries (21 of them in Africa) and unfavorable crop conditions in 22 countries, including Australia, as well as India and Indonesia.

3. The trends in Reagan administration foreign aid budget and priorities are now established.—With the submission of the third Reagan foreign aid budget to Congress, the reshaping of the foreign aid program begun in earlier years has been rein-

forced and accelerated. If the administration's fiscal year 1984 request is granted, the foreign aid program will have grown by $4.5 billion—from $10.438 billion in fiscal year 1981 (the final Carter budget) to $14.873 billion in fiscal year 1984. The lion's share of the increase ($3.899 billion) will have gone to security assistance as against a $536 million increase in development aid. The administration, with special help from the Senate, will have added $8 in security assistance for every $1 in development aid, shifting the balance in the total program by a full 11 percent.

4. The crisis in development cooperation is more serious than many realize.—The climate of austerity in the United States leads many on the Hill and in the administration to look to other countries for increased burdensharing with the United States. Yet the emerging pattern in U.S. policy is one of a damaging abdication of responsibility for meeting U.S. obligations in, to, and through multilateral development institutions. In our view, U.S. actions in recent years, and the administration proposals for the future, threaten not only U.S. international interests in development cooperation but also the vitality and even the viability of such international agencies such as UNICEF, the International Fund for Agricultural Development (IFAD), and IDA.

5. Normal concerns about the effectiveness of foreign aid are heightened.—As resources become increasingly scarce, a higher premium is placed on their effective utilization. Yet the concern is highly selective. Congressional monitoring is being increased over development assistance programs, the funding levels of which have plateaued in recent years, while the mushrooming activities funded under security assistance get short shrift. Exceptions which we applaud are recent GAO reviews of ESF and Public Law 480 programs in Egypt and of foreign military sales loan guarantees.

6. The competition between foreign aid and domestic social programs is more fierce.—Undoubtedly, unemployment of 11 percent and widespread cutbacks in domestic social programs make it more difficult to generate broad political support for meeting overseas needs. Yet we frequently forget that the enemies of social programs at home and in the Third World are not each other but runaway military spending—at home, in the defense budget, and overseas, in the exponential growth of military aid. Just as security aid presently accounts for well over half of the U.S. foreign aid program, so by fiscal year 1986 the military budget will claim more than 50 cents of every U.S. tax dollar. This massive increase accompanies the deepest cuts ever in domestic social programs, affecting most severely the poor. The choice facing the nation's lawmakers thus is not so much between tax dollars spent in the United States as against those spent overseas but rather between funds for military purposes as against those for human needs both here and abroad.

7. The foreign aid "constituency crisis" is misunderstood.—It is increasingly fashionable to lament the absence of a constituency for foreign aid. Yet there is little attention to the fact that the natural constituency for foreign aid—including many in the religious community who are concerned about hunger and poverty—is increasingly alienated by and from a program in which the needs of the poor are an afterthought. As the administration gives increasing attention to "selling" its approach to foreign aid, we would like to see equal time given to examining the assumptions, values, and strategies on which it rests.

Against this backdrop of international economic crisis and retrenchment in U.S. development assistance and food policies, we would like to offer a number of recommendations. In doing so, we are at something of a disadvantage in having had the administration's congressional presentation for only a day or two.

A hurried and selective reading of the administration volumes conveys a welcome change in tone and approach from earlier years. The administration affirms that "peaceful economic development and the political stability it engenders depend on meeting the needs and aspirations of people living at or near the poverty level" (Main Volume, pp. 8–9). It also acknowledges the deep difficulties created by the international economic recession for Third World countries. Yet this belated recognition is not adequately reflected in the administration's request.

We believe, therefore, that Congress should restructure the administration's foreign aid proposals so as to make available to developing countries a better balanced mix of external resources, focused more explicity on the needs of the poor. Such a program, combined with appropriate international economic policies, would better serve Third World development needs and the interest of the United States in a more just global economy.

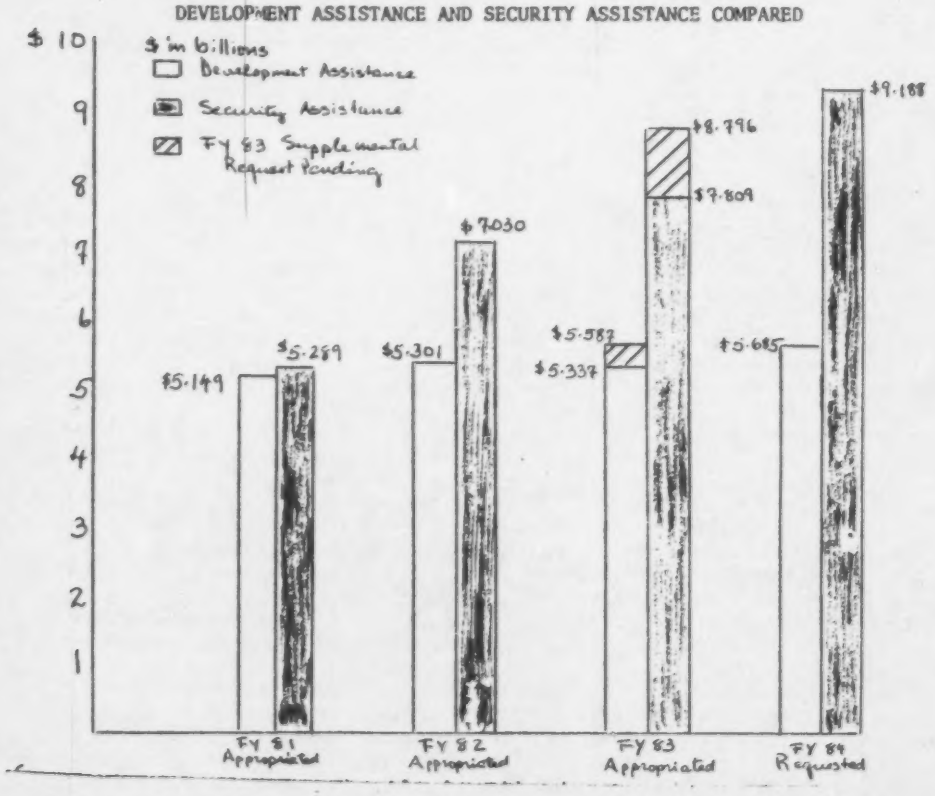
I. SECURITY ASSISTANCE

We recommend that neither the administration's fiscal year 1983 supplemental request nor its fiscal year 1984 request be approved unless the balance of funds is radically altered in favor of development assistance.

In our view, the development assistance programs which the administration is deemphasizing can and ought to serve as an investment in the alleviation of hunger and of unmet basic human needs which, unaddressed, can have profound destabilizing effects. While the security assistance which the administration prefers can in certain circumstances serve development objectives, its basic purpose is not to alleviate hunger and poverty but to enhance U.S. security. While the two objectives are not unrelated, neither are they coterminous.

The following chart demonstrates the growing imbalance between security assistance and development assistance. It should be noted that our two categories are those used by OMB in the Federal budget except that we treat, and urge Congress to treat, callable capital as an off-budget item and foreign military sales (FMS) loan guarantees as on-budget. Callable capital, which has been accumulating over the years and is available should developing countries default on certain loan obligations to multilateral development banks, has never been used. FMS loan guarantees, on the other hand, do result in borrowing in private capital markets by the Federal Financing Bank and are, as a recent GAO report notes, increasingly called upon to offset payment delays in existing loans. The GAO also notes that off-budget requests do not receive the close congressional scrutiny to which on-budget military aid is subjected. GAO cautions that requests which are likely to stir political controversy will be placed off-budget without sufficient consideration of the impact of such loans on recipient country economies.

DEVELOPMENT ASSISTANCE AND SECURITY ASSISTANCE COMPARED



Categorizing various forms of U.S. foreign aid and calculating their dollar value involves difficult judgments. Included here as development assistance is the total value of all U.S. payments of bilateral and multilateral development assistance, food

aid, humanitarian and refugee funds. Security assistance refers to all military aid, including FMS loan guarantees. Other minor items which fit into neither category are not shown.

We also urge substantial reductions in all forms of military assistance. It diverts domestic expenditures away from agricultural development and social programs and toward larger military establishments. Military aid compounds Third World debt burdens and also strengthens the hand of military or martial law governments, of which there are 54 in developing countries—41 of them with serious human rights violations.

While the committee's attention of late has focused on the administration's policies in the area of nuclear arms control, we urge the committee to press the administration to exercise restraint in conventional weapons transfers, both commercial and concessional. As noted in our statement last year, the fact that the United States accounted for 45 percent of all major weapons transfers to developing countries in the 1970's suggests that even a U.S. bilateral initiative to exercise restraint could be significant.

We urge that those ESF funds requested by the administration for development assistance purposes be authorized as development assistance, not ESF. We do not view the two sorts of funds as interchangeable, even though the uses to which they are put may on occasion be similar. ESF funds are not by and large geared to the needs of the poor. Their allocations favor the most strategic, not the neediest, nations. Their use tends to emphasize immediate returns rather than longer term development. Their accomplishments in the human needs area are circumscribed by the short-term foreign policy context in which they are made available. We urge that the transfers from ESF to development assistance be part of a broader reduction in ESF levels.

Security assistance funds, now approaching 60 percent of the foreign aid program, are described in considerably less detail in the administration's Congressional Presentation and, as noted earlier, have generally escaped careful monitoring in the past. We urge that the committee give equal attention to security assistance programs and that their effectiveness be regularly and thoroughly evaluated, both in terms of the extent to which they accomplish their stated objectives and in terms of their effects on the poor.

II. ASSISTANCE TO AFRICA

We turn now to Africa, a region increasingly referred to in terms of crisis. The crisis is not a military crisis but a food crisis. At the regional conference for Africa of the U.N. Food and Agriculture Organization (FAO) held in Algiers in September 1982, the Director-General of the FAO, Mr. Edouard Saouma, told the assembly: "Africa's food crisis constitutes one of the greatest development problems in the world today. Per capita food production has dropped by more than 10 percent in the past ten years, and average dietary energy supplies have been barely maintained at 6 to 7 percent below nutritional levels." He concluded: "Africa is ill and its only chance of recovery is a very big increase in domestic food production and a rise of export earnings."

Africa is indeed ill, and its illness raises a critical challenge for all countries, particularly for African countries themselves and for the multilateral institutions and developed countries concerned with promoting development and peace in Africa. Of the 30 countries classified by the U.N. as the poorest in the world, 20 are in Africa. While some developing countries registered economic growth during the 1970's of at least 4–5 percent, most African economies stagnated. Per capita income in 19 countries grew by less than one percent, and 15 countries recorded negative growth rates. Recession in the industrialized countries, leading to declining prices for the primary products that are the mainstay of most African economies, combined with internal factors to result in a worsening of conditions for many Africans, especially the poor.

The food production equation cited by the World Bank in its major report on Africa published in August 1981 illustrates most graphically Africa's plight. Total food production in Africa rose by 1.5 percent annually during the 1970's while population growth rose by an average of 2.7 percent. The Bank's recent "World Development Report 1982" etches the dimensions of Africa's food problem even more sharply by contrasting Africa's poor performance in food production during the 1970's with what it calls a remarkable success story in agriculture in other regions of the world. Some developing countries in other regions (for example, India) made great strides toward achieving and sustaining food self-sufficiency during the 1970's. Most African countries, on the other hand, lost ground, with a toll in human suffering.

Yet Africa is a region rich in resources—in mineral wealth, in land, in human capital. The key to its development is to unlock those resources to the benefit of Africa's people. Recognizing the dimensions of the crisis, the leaders of African member states of the Organization of African Unity met in Lagos in mid-1980 and drafted a plan of action which placed the food issue at the center of African development strategy. African leaders freely acknowledged that African governments had not accorded the necessary priority to agriculture. The Lagos Plan of Action calls on all governments to revise their priorities, to channel additional resources to agriculture, and to revise government policies so as to encourage small farmers and members of agricultural cooperatives to achieve higher levels of productivity. The World Bank report on Africa called on donor nations to double development aid to Africa in order to meet Africa's pressing needs.

Against this stark background, the administration's proposed aid allocations for Africa in the fiscal year 1983 supplemental and fiscal year 1984 requests seem to us badly out of step with Africa's most crucial needs. In spite of rhetoric in the administration's Congressional Presentation acknowledging Africa's food and other development problems, the figures clearly tell a story of different priorities. The primary emphasis is on security rather than development, on defense against external threats rather than support of efforts to deal with Africa's food crisis.

The fiscal year 1983 supplemental, for example, requests $53.35 million in FMS loan guarantees for Africa, $86.5 million in Military Assistance Program (MAP), $47 million in ESF aid for three countries (Sudan, Zaire, and Zimbabwe)—and nothing in development aid. The fiscal year 1984 request proposes an increase of a scant $13.6 million in bilateral development aid and a decrease of $4.6 million in Public Law 480 food aid from current fiscal year 1983 levels—while at the same time proposing an increase of $110 million in MAP and $143 million in ESF. A comparison of development assistance and security assistance totals over the 3 years since the Reagan administration took office shows that if the fiscal year 1984 request were to be approved, development aid (bilateral development assistance, refugee aid, and Public Law 480) would decrease by 17 percent from fiscal year 1981 levels while security assistance (military aid, FMS loan guarantees, and ESF) would increase by almost 150 percent.

We do not deny that African countries have security needs or that some African countries may feel threatened by the adventurism of neighbors or by other external forces. But we and others conclude that the main threats facing Africa today are not external but internal: pervasive hunger and poverty on a continent where millions of people face an increasingly bleak future unless concerted and constructive steps are taken, and taken soon, to deal with Africa's serious food crisis. In our view, Africa's needs would be much better served if the increases proposed for security assistance were instead applied to long-term development assistance designed to support the strategies of African governments for increasing food production and promoting food self-sufficiency.

In this context we call attention to the work of the U.N. World Food Council in encouraging developing countries in Africa and elsewhere to design, with the help of other governments and international organizations, food sector strategies. These strategies are means whereby a given country's food production, nutrition, reserves, and trade policies are reformed and integrated in the interest of greater food self-reliance. The United States has been lamentably slow in joining in the Council's initiative and should be encouraged to be more cooperative in the years ahead.

To sum up, we recommend that the administration's foreign aid request for Africa be revamped so as to give far higher priority to development assistance funds and to reduce substantially the military and ESF resources made available.

III. ASSISTANCE TO CENTRAL AMERICA AND THE CARIBBEAN

The administration's fiscal year 1984 proposals for Central America and the Caribbean follow last year's passage of additional economic aid for the region through the Caribbean Basin Initiative (CBI). The CBI aid was geared primarily to address balance of payments difficulties facing the countries in the region due to high oil prices, falling commodity prices and the global recession. This year's Congressional Presentation, looking to the future, gives a bleak forecast for economic development. Because of continued recession, lagging prices for commodities, and service on accumulated foreign debt, prospects for economic growth are not good. The administration suggests that the CBI countries, working with the International Monetary Fund (IMF), will need to adjust to contracted economies for the foreseeable future, concentrating their efforts on economic stabilization, policy reform, improved efficiency, and expanded export production.

The administration has indicated that it will request and press for approval of a U.S. quota increase for the IMF this year. We are concerned about IMF agreements which place undue hardship on the poor in this region and in other parts of the world. U.S. law already requires U.S. representatives to encourage the IMF to take into account the effect of economic adjustment programs on jobs, investment, real per capita income, the gap in wealth between the rich and poor, and social programs such as health, housing, and education. It is generally agreed, however, that neither the U.S. representatives to the IMF nor the IMF itself have given adequate attention to the concerns expressed in this provision. We therefore urge renewed committee attention to administration compliance with the above provision of the Bretton Woods Agreements Act which requires U.S. representatives to the International Monetary Fund to encourage greater sensitivity to the impacts of IMF policies on human needs.

The Taskforce believes that the administration's own recognition of the global economic forces pressing on these countries points to the need for a broader, more long-term approach. Measures which promote commodity price stabilization or expand access to U.S. markets, for example, may have much more far-reaching development impact over both the long- and short-term than increased balance of payments aid. The administration has placed high priority on developing country-policy reform which it believes is needed to stimulate economic growth. We would also urge the administration to work for corresponding policy reform in the international economic sphere.

The U.S. foreign aid proposals designed to respond to the problems of the region place heavy emphasis on the short-term security dimensions. Military and economic support fund aid together comprise 56 percent of the fiscal year 1984 proposal, with development assistance making up the other 44 percent. Military aid increases alone would contribute further to an alarming militarization of the region. Members of this committee have spoken with concern in the past over the weight given by this administration to military solutions to Third World problems. Senator Kassebaum expressed her views in the report on the fiscal year 1983 supplemental authorizing legislation:

"I have been especially supportive of efforts to increase our economic assistance programs. This is because I believe that many of the world's problems do not have military solutions. We must go to the root of conflict and instability—hunger, poverty, lack of education, lack of even minimal health care—if we are to effectively meet the foreign policy challenges that lie before this nation."

Economic assistance of the sort proposed by the administration is not likely to address effectively enough the root causes of conflict cited by Senator Kassebaum. The bulk of aid to Central America and the Caribbean proposed for fiscal year 1984 is ESF assistance. Like the CBI aid package, most of these funds are intended to finance private sector imports. Such assistance typically benefits a relatively small segment of the population and may exacerbate already gaping income disparities. This committee last year expressed its concern on this issue by making a number of changes in the CBI aid proposal which, in our view, improved the potential developmental effectiveness of the measure. We urge the committee to monitor closely the implementation of the CBI aid measure. The use of local currency counterpart funds are, we believe, of particular interest for their potential developmental impact.

In sum, we recommend in this region, as in Africa, a substantial reduction of military and economic support fund aid and a corresponding increase in development assistance.

The administration's long-term prescription for economic development in Central America and the Caribbean is based almost exclusively on export-led economic growth. The pros and cons of this approach were addressed at a meeting of nongovernmental experts from the region, including several former government ministers, held in Kingston, Jamaica last December. The purpose of the meeting was to provide an opportunity for knowledgeable and concerned representatives from the region to express their views about Caribbean and Central American development and the CBI. The majority felt that while exports have an important role to play in most developing countries, other development strategies are also important. They pointed out that the particular development path chosen by a country depends on a host of economic, social, and political factors. Since an over-emphasis on exports leaves some countries dangerously vulnerable to global price fluctuations, they would do better to pursue a more balanced development approach which includes import substitution, increased food self-reliance, and selected infrastructure development.

These considerations suggest that the administration's export promotion emphasis, while appropriate to some countries, is too sweeping an approach to respond to

the variety of needs and development strategies in the region. We recommend that the administration adopt a more flexible approach to the needs of various nations in the area which would take into fuller account their individual circumstances, needs, and preferences.

Regional economic integration is widely viewed as the key to future development both in the Caribbean and in Central America. We believe that administration programs and policies do not adequately promote such regional integration and in some cases actually undermine these efforts. In the Caribbean, for example, the administration plans to initiate an agricultural sector structural adjustment program which would make grants on a bilateral basis to facilitate agricultural growth and development. This initiative disregards—and may undercut—an important indigenous effort already underway through the Caribbean Common Market to increase regional food self-sufficiency. The existing project is given high priority in the region because of a skyrocketing food import bill which creates an additional drain on scarce foreign exchange.

The Congressional Presentation describes the deterioration of Central American regional economic integration activities, an unfortunate fallout from the political conflict there. A deescalation of hostilities is necessary to stem further disintegration, which threatens to reverse hard-won advances of recent years and has disturbing long-term implications for the area's economic development. U.S. concern for economic development thus necessitates a good faith response on its part to initiatives from the region to reduce the conflict.

We therefore urge that regional integration and unity in both the Caribbean and Central America be respected and promoted by U.S. aid programs operating in the region and that the search for political solutions to the conflicts be accelerated.

U.S. support for multilateral development efforts in the region—for which this committee last year expressed special interest—appears to weaken in fiscal year 1984. We understand that negotiations for the sixth replenishment of the soft-loan Fund for Special Operations (FSO) of the Inter-American Development Bank (IDB) seem likely to produce a significantly lower total than that of the current replenishment. This lower total appears in the President's fiscal year 1984 budget request as a $90 million decrease in FSO funding.

We recall that in the Caribbean-Central American Revitalization Act of 1982 (S. 2899) as reported, the committee included a sense of Congress provision, proposed by Senator Glenn, which urged that forthcoming replenishments of the IDB and the FSO be sufficient to allow lending to the CBI countries to increase 15 percent annually through 1987. We urge the committee to review whether the administration's FSO replenishment negotiations have been consistent with the committee's bill as reported which, if we recall correctly, the administration had assured the committee it would respect even if the legislation itself were not enacted. We would hope that adjustments can still be made to accomplish the committee's objectives in the replenishment period.

Regarding the Central American conflict, we note that in its Congressional Presentation the administration sets as one of its objectives in El Salvador the stimulation of political reconciliation. We hope that this signals a willingness to encourage a negotiated settlement to the continuing conflict there. However, failing evidence of such willingness, the Taskforce urges withholding of all military and economic aid to El Salvador.

We also strenuously oppose the proposed military and ESF aid to Guatemala. Numerous reports of large-scale massacres in rural areas by government troops directly challenge the administration's assertion that the Guatemalan government is no longer guilty of gross and consistent human rights violations.

IV. MULTILATERAL ASSISTANCE

With respect to U.S. contributions to international organizations and programs, we and other private groups were very critical of administration proposals last year to reduce substantially U.S. contributions to those programs, particularly to UNICEF and the U.N. Development Program (UNDP). Because this committee, the House authorizing committee, and the appropriations committees agreed, the proposed cuts were rejected and an increase of some $38 million over fiscal year 1982 levels was approved by Congress in its fiscal year 1983 continuing resolution. This committee wrote in its report on the fiscal year 1983 supplemental:

"The Committee continues to strongly endorse the activities carried out by the International Organizations for which funds are authorized in the International Organizations and Programs account. The Committee has particularly singled out the important work of UNICEF, the U.N. Development Program, and the U.N. Environ-

mental Program. The request by the Administration to drop the earmarks from current legislation for those programs, and the drastically reduced request for appropriations for this account, are viewed with considerable alarm by the Committee. The Committee has refused to drop its earmarks, and hopes that the total account will continue to be funded at current levels. Were it not for the budgetary limits the Committee faces this year, increases for this account and specific programs within it would have been given serious consideration by the Committee."

In spite of the strong endorsement of many of these programs by Congress and the public, the administration once again is proposing a drastic cut in U.S. contributions for the development programs of international organizations for fiscal year 1984—from a current level of $224.6 million to $189.95 million. The UNICEF contribution would be reduced from $42.5 million to $27 million, UNDP's from $140 million to $120 million. The U.N. Environment Program (UNEP) would be cut by more than one-half, from $7.8 million to $3 million and the U.S. contribution to the World Food Program eliminated altogether.

We urge you not only to resist these cuts in U.N. specialized agency contributions but to consider modest increases, particularly for programs such as UNICEF and UNDP. A steady level of support for UNICEF is especially crucial at a time when UNICEF is embarking on a crash program to reduce infant and child mortality, which has remained at unacceptable levels in many developing countries. Continued sustained support for UNDP's coordinating role in the U.N. system and for UNEP, the only institution involved in monitoring and protection of the global environment, is also important. We find incomprehensible the proposal to eliminate entirely funding for the World Food Program at a time when, despite food abundance in some countries and regions, food shortages in others continue unabated and the need for focused food aid continues to be sizeable.

With regard to several other multilateral programs, we urge your support for the administration's request levels or, in the case of programs already authorized, ask you to exert special effort to ensure that funds will be appropriated. With respect to the International Fund for Agricultural Development (IFAD), for instance, we urge Congress to approve the administration's IFAD request for $50 million for fiscal year 1984 and even increase the sum so that the outstanding portion of the U.S. pledge of $180 million will be payable in full in fiscal year 1985, no more than one year later than pledged.

We also urge support for a direct contribution of $500,000 to the Voluntary Fund for the U.N. Decade for Women. The Voluntary Fund is the only U.N. program explicitly directed toward supporting women's productive roles in development. U.S. financial support of the Voluntary Fund is essential if the United States is to play a leadership role in encouraging the U.N. to integrate women more fully into its programs.

With respect to the multilateral development banks, we are particularly concerned about the lagging of funding for the International Development Association (IDA). We urge the approval of the $1.34 billion needed to complete the U.S. contribution to IDA's sixth replenishment in fiscal year 1984. Given the current international economic recession, the already large debt burdens of many developing countries, and forecasts of continued low commodity prices over the next few years, concessional aid for the poorest countries takes on added urgency. This is certainly not the time for the United States to hold back further on its contributions to IDA. It is rather the time to acknowledge that the needs of the developing countries—and the interests of the global economy—will be met only if the United States, in concert with other donor nations, meets its obligations to multilateral development institutions in timely fashion.

We have indicated some of the reasons why, from our perspective, the administration's fiscal year 1984 foreign aid request is not supportable as it now stands. We urge this committee to revise the proposals so as to create a foreign aid program better balanced between development assistance and security assistance, globally and at regional and country levels. Such a program would, we believe, have an improved chance of commanding a congressional majority and broad support within the religious community and the general public.

Thank you for the opportunity to present testimony again this year.

Senator SARBANES [presiding]. Mr. Gwatkin.

STATEMENT OF DAVIDSON R. GWATKIN, SENIOR FELLOW, OVERSEAS DEVELOPMENT COUNCIL, WASHINGTON, D.C.

Mr. GWATKIN. Thank you, Senator Sarbanes.

My name is Dave Gwatkin. I am a senior fellow at the Overseas Development Council and also chairman of the National Council for International Health. I am before you today in my personal capacity.

I have been asked to direct my comments toward the health aspects of the fiscal year 1984 proposals, and I think it is clear that these proposals are not healthy ones from our perspective.

Members of the committee and others of the panel have already commented on the administration's proposed shift from assistance for the broad social and economic development that is required for health improvement.

I would like to bring to your attention the fact that as this is occurring, health allocations are suffering especially in the process. The two most prominent examples are ones that have been mentioned: First, the health account of the AID budget has been reduced by a quarter. It is the only functional account of AID to be reduced.

The second prominent example is one that you have mentioned, Senator; that is, the reduction of some 36 percent in the UNICEF budget, which is a much larger cut than the average for agencies in that category.

Cuts such as these are extremely ill-advised, not just in terms of human welfare, but also I think from the point of view of long-term U.S. foreign policy interests. They give the clear impression to people in other countries whose support we require that the United States really could not care less about their health and well being. I think this impression is as damaging to America's standing in the world as its military position.

For this reason I think it is extremely important that this decline in concern for health be arrested immediately, and my written statement which you have before you concludes with two suggestions as to how this might be done.

First, I recommend that the cuts proposed for AID and health and for UNICEF be restored. In response to the concerns we heard from Administrator McPherson before us, my statement contains specific suggestions as to how this might be done in ways that would allow those funds to be used effectively.

Second, I suggest the establishment of a supplemental fund to support grassroots health activities based on simple and inexpensive technologies—a fund that would be designed to serve as a clear signal of genuine American concern in this area.

Thank you, sir.

[Mr. Gwatkin's prepared statement follows:]

PREPARED STATEMENT OF DAVIDSON R. GWATKIN [1]

I am Davidson R. Gwatkin, a Senior Fellow at the Overseas Development Council and Chairman of the National Council for International Health, a professional organization of approximately 100 professional and private voluntary organizations and 2,000 individuals working for the improvement of health conditions overseas, especially in poor countries. I am pleased to be able to appear before you, in my person-

[1] The views expressed in this statement are those of the author, and do not necessarily represent those of the Overseas Development Council or National Council for International Health, their directors, officers, or staff.

al capacity, to share some thoughts about the U.S. foreign assistance program proposed for fiscal year 1984.

The proposals you have before you are, as always, multi-faceted and complex. As always, too, some of them appear very attractive, while others are less so.

An overall impression does emerge, however; and it is disappointing. In particular, the proposed programs reinforce the growing impression that the United States is relying more and more on military and associated economic support assistance to enhance its national security, at the expense of broader development efforts.

This represents a dangerously narrow vision of how American national interests can best be served. To rely principally upon arms and related support presents to the world the image of a United States seeking to expand its influence and dominate through might. Might is not unimportant in today's world; and intelligently applied, reliance on it could perhaps work for a while. Over the longer term, however, it is no less important that the United States also be viewed as seeking to do right by its neighbors—and thereby seeing its influence expand through the respect that such a position could be expected to engender.

This impression that the United States is seeking to rely on might rather than on right comes through particularly clearly with respect to that set of activities toward which I have been asked to direct my comments: that is, those related to international health. Those activities have suffered particularly, in absolute terms as well as in comparison with other programs. Both military aid and assistance to the Economic Support Fund, for example, are to rise by 15 percent or more after generally large increases in previous years, while developing assistance as a whole is to increase slightly, by 2-3 percent. At the same time, major international health activities are being cut significantly:

In USAID, the amount available for health is to be reduced by about 25 percent, from $133 to $101 million. Health is the only functional account to suffer a reduction.

Of the multilateral agencies supported through the International Organizations and Programs account administered by the Department of State, a particularly severe cut would be inflicted on the one most active in health. The administration proposal would reduce the U.S. contribution to UNICEF from the $42.5 million provided in 1983 to $27 million in fiscal year 1984. This cut of over 36 percent is notably larger than the 24 percent reduction proposed for the International Organizations and Programs account as a whole.

Health appears to be declining in priority relative to enterprise development in the Peace Corps.

Decisions such as these indicate that international health is suffering from unusually severe neglect in current government thinking. Such neglect is shortsighted. The humanitarian value of the lives that could be saved and improved through modest expenditures on health is obvious. Beyond this, I can think of no better way that the United States can demonstrate to the people of the world that it cares about them—and is thus worthy of their sympathetic support on a wide range of issues—than by contributing to international health activities capable of making a difference.

Such considerations make it important that the American contribution to international health activities be expanded rather than contracted, in order to counter the impression of growing official American indifference to the human condition as well as to save lives. In pointing to practical ways in which this might be done, let me: (1) describe briefly the world health situation and the reasons for believing that a modest additional contribution at this time could make a particular difference; (2) discuss in somewhat greater detail the proposals, noted briefly above, of the administration for dealing with the situation; and (3) conclude by presenting two specific suggestions for your consideration.

I. THE CURRENT SITUATION

The improvements in developing country health conditions of the past quarter-century have tended to leave an impression that all can be expected to continue going well in this area. This is not correct.

Certainly, the progress recorded has been significant, and the health of the developing world is now better than before. Even now, however, the amount of progress still to be achieved before conditions can be considered minimally acceptable remains great. Infant and child mortality rates in the typical developing country are eight, ten, or more times what they are in the United States. Thus far, mortality in the typical developing country has declined only about one-half the distance from

where it was at the onset of World War II to the levels that currently prevail in most of the Western nations. The second half of the job remains to be accomplished.

Further, there are signs that renewed effort will be required if significant additional progress is to be achieved. Mortality fell rapidly from the end of World War II until the mid-1960's or early 1970's. Since then, current indications suggest, the rate of improvement has been much slower in many areas.

It seems clear that one reason for the change is the lack of attention engendered by complacency. During the 1950's and 1960's, the medical approaches then available were so effective against the diseases then dominant that the need for further measures at some point was largely overlooked. That point has now come. Such diseases that can be controlled with the earlier technologies—malaria, smallpox, infections readily amenable to treatment with modern antibiotics, for instance—have been greatly reduced in importance. What remains is the much more difficult pneumonia-diarrhea-malnutrition triad which requires different approaches.

To some extent, this means further research. (And for this reason, the proposal by AID to emphasize medical research, as discussed below, is to be welcomed.) Also, if lower mortality and adequate health conditions are to be achieved, much faster overall social and economic progress will be required: there is no other way that malnutrition can be adequately overcome.

At the same time, however, quiet experimentation in recent years has demonstrated that it is not necessary to await such developments for significant progress to be made. In 10 or 12 experiments around the world, for example, it has been possible to reduce infant mortality by one-third or more within 5 years at modest cost (the equivalent of 1–2 percent of annual per capita income).

These results have attracted the interest of numerous agencies. Both AID and UNICEF, for example, have drawn from them and other experiences a set of simple, inexpensive approaches which, practicallly all health professionals agree, should be capable of making a significant difference. The UNICEF formulation consists of four to six items:

Oral rehydration therapy, a technique developed in Bangladesh whereby children suffering from diarrhea are given to drink an inexpensive, easily prepared solution that can prevent death from this major killer.

Mass use of home child-growth charts, pioneered in Nigeria and other countries, to make mothers more knowing and participatory contributors to improvements in their children's health.

Promotion of breast-feeding, to reduce what has been termed "the most unnecessary malnutrition of all".

Universal child immunization, made possible by scientific advances (vaccines that need less refrigeration, for example) and by the community organizations and paraprofessionals that now increasingly are able to deliver health services in the Third World.

Family planning, with a special emphasis on increasing the interval between births, an extremely effective way of reducing infant mortality as well as of lowering fertility.

Food supplements for infants and mothers in particular need.

Because of measures like these, it is possible to be much more optimistic now than previously about the amount of progress that can be made. Also, a momentum of professional interest in moving ahead with measures like them has begun to develop, giving rise to an incipient movement whose development could be greatly aided by the prompt availability of support.

II. THE ADMINISTRATION PROPOSALS

Unfortunately, the budgetary proposals contained in the legislation before you call for movement away from provision of support required, toward lessened concern for health activities. For example:

A. U.S. Agency for International Development

The U.S. Agency for International Development has just completed (in December 1982) an impressive policy paper on health assistance. The paper identifies three promising areas for AID activity: improving health programs through better program design, management and implementation; promoting economically viable health programs; and increasing biomedical research and field testing in support of health in the LDCs. In connection with the first of these three areas, it is AID's intention to ensure that basic health service programs supported by it incorporate many of the important measures noted above, in whose development AID has been a leading force. (For example, AID has recently displayed a particular interest in

oral rehydration theory, on which it is planning a major international conference in June 1983.)

This policy statement is most welcome. It contains a number of measures which, if implemented, could be of particular value in dealing with less developed country health problems.

It is thus especially disappointing to see the reduction in funds proposed for health in AID. As noted above, the reduction proposed is one quarter of the amount available in fiscal year 1983; and health is the only major functional account to suffer any cut at all. Also affected is the Population Planning account, of direct and obvious relevance to health, for which only a token increase of under 1 percent—notably less than for any functional account other than health—would be provided.

Within the health account, the volume of funds to be administered by private voluntary organizations continues to decline steadily, from $13.4 million in fiscal year 1982 to $11.5 million in fiscal year 1983, to $7.7 million in the fiscal year 1984 request. This is particularly unfortunate in view of the generally distinguished role of American private voluntary organizations in overseas health programs. It is also curious, in light of the current administration's interest in the private sector.

Money is not everything, to be sure; but to pretend it is not of significance in program implementation would be foolish. There is no way that AID can make significant progress toward the implementation of its exciting new policy guidelines while inflicting a 25-percent cut in the volume of funds available for them.

The reduction also undercuts important AID health initiatives that are not directly affected. It is not reasonable, for example, to expect delegates to AID's high-visibility oral rehydration conference to take AID's interest seriously, knowing that budget cuts deprive AID of any capacity to provide meaningful support. The cuts make it highly likely that the otherwise admirable conference will be taken by many as a substitute for rather than an introduction to a serious effort.

There are many ways in which additional AID funds could be used effectively to implement the guidelines put forth in its policy paper. The active encouragement of oral rehydration programs in the field is one of them. Also, AID has been instrumental in seeing that developing countries have been adequately supplied with contraceptives; why not a similar program to provide drugs essential for the basic services proposed in the AID policy paper? Such drugs are almost invariably in short supply and represent a particularly severe constraint. Major AID support has been instrumental in the establishment of the effective program of the U.N. Fund for Population Activities; if AID itself has trouble developing field programs because of staff shortages, why not a major AID contribution to an agency like UNICEF with a strong field network, to permit the initiation of basic health service programs like that called for in AID's policy paper? As reported, the UNICEF program is already very similar to that advanced by AID. AID's policy paper speaks of a strong interest in medical research; why not a truly major effort to develop, say, the malaria vaccine on which much encouraging work has been done?

B. International organizations and programs account of the Department of State

In general, the administration's criticism of the United Nations is much less in evidence this year than last; and the administration is proposing, without any known reservations, payment of what appears to be the full amount of the American assessed contribution to the United Nations and its affiliated organizations. With respect to health, this means encouraging increases for two important agencies: the World Health Organization and the Pan American Health Organization.

When it comes to the voluntary contributions contained in the legislation currently under consideration here, the situation is far different. In this category, where it is possible for the United States to reduce its contributions unilaterally without suffering considerable public embarrassment or possible expulsion from the agency concerned, the administration proposes to reduce the volume of funds available by some 24 percent overall.

Inexplicably and especially unfortunately, one of the agencies most seriously affected is UNICEF, which is by far the most closely associated with health and welfare of all those in this category. For UNICEF, the proposed reduction would be on the order of 36 percent.

Such an egregious effort to reduce UNICEF funding is quite difficult to understand. UNICEF has been noteworthy in its capacity to go about its business without becoming involved in the extraneous political controversies which have plagued other U.N. organizations and which the United States understandably finds objectionable. It is also widely respected as an unusually effective organization in accomplishing improvements in health and welfare conditions, noted for its ability to get programs out into the villages where the poor live; and the administration has re-

peatedly professed its appreciation of U.N. agencies which perform their specialized tasks effectively.

Whatever the reason, the cut proposed for UNICEF is particularly regrettable at present. As discussed above, UNICEF has recently begun to play an important leadership role in the advancement of a particularly innovative and interesting proposal for bringing about major improvements in developing country health conditions. If the approach is to come anywhere close to living up to its potential, UNICEF will require strong continuing financial and moral support.

C. Peace Corps

The format of the Peace Corps' presentations does not contain breakdowns of trends with respect to financial allocations or volunteers by functional category. As a result, they fail to provide a clear picture of what is happening with respect to health.

The Peace Corps' material refers to 1,000 volunteers—roughly 20 percent of the total—working in some way or the other on health education and community health organization. If this is a reference to full-time professional or semiprofessional activity, the amount of health work under way in the Peace Corps continues to be significant.

At the same time, it seems clear that the Peace Corps' new highest priorities are in other directions. There are, for example, no health activities among the four singled out as priorities in the Peace Corps presentation: appropriate technological innovations that improve agricultural productivity; market-oriented postharvest activities; renewable energy production and conservation; and small-scale enterprise and cooperative development.

All four of these areas are important, of course; and it would be a mistake to argue that health must dominate every activity of every agency. There is, though, little in the material available to dispel the impression that health has begun to suffer from neglect within the Peace Corps as elsewhere. This would be extremely unfortunate in light of the central role that Peace Corps volunteers could play in the development and execution of programs featuring the new technologies mentioned above—and in giving visibility to an American commitment to better health for the world's poor.

III. WHAT CAN BE DONE

From what has been said about the current situation and the response proposed by the administration for fiscal year 1984, it is clear that remedial action is needed. What can be done? Let me close with two suggestions that together would represent a modest beginning:

First, restore the cuts proposed for the USAID health account and for UNICEF. As has been indicated, both have developed excellent, sensible, workable approaches that can contribute significantly to health improvements. They deserve strong support.

Second, having reinstated these cuts, establish a fund to support the initiation and spread of health programs featuring the promising simple technologies now available and described earlier. The idea (highly worthwhile despite its not being original with me) would be to establish a highly effective and visible symbol of American determination to rely on right as well as might alone in its dealings with the others nations whose support the United States wants, needs, and deserves. A fund of, say, $50 million during an intial year in fiscal year 1984 would be trivial in comparison to the magnitude of military and economic support assistance being proposed. But it would represent for international health activities roughly the same percentage increase as is being recommended for military and related support programs. There are many ways in which such a fund might be organized. One would be for it to be administered by a government-appointed board of respected professionals. They would invite proposals from a wide range of capable agencies—AID, UNICEF, the Peace Corps, American private voluntary organizations—and allocate funds to the most promising. If seen as a substitute for reinstating funds cut from other programs, such a fund would have to be considered as little more than deception, a shuffling of funds from one account to the other which would make little real difference. But, if taken as an addition, a fund of this sort could be an important, effective gesture of genuine U.S. concern.

Senator SARBANES. I want to thank you all very much for some very helpful testimony.

I would like to ask a hypothetical question, and any member of the panel who would like to can respond to it. I would be interested in hearing your comments.

Let us suppose—and let me just say at the outset it is a supposition that I find very difficult to accept—let us suppose that one proceeds on the assumption that the executive branch of the Government is proceeding in a careful, thoughtful, responsible, sensitive manner. They, after all, have the full-time people, supposedly professional, addressing the whole range of these problems; and that their request to the Congress reflects a careful process and a very senstive judgment about what would serve America's interests and further the interests of our country in a realistic, hard-headed, thoughtful, and sensitive way. Therefore, we really should accept what they have come in with; they have figured it all out in a very careful way, and what they are seeking is what they ought to get in terms of what American policy would be.

What do you see as the consequences of proceeding down the path that they have outlined here for America's interests around the world?

Mr. MINEAR. I would be glad to take an initial stab at that, Senator. The administration, at the broad policy level, says that it would like to increase the burden-sharing of other countries with the United States in the development effort. We, of course, would support that. Countries have to join together more effectively to pick up on the total task.

On the other hand, when you look at the proposals in the congressional presentation, they run in the direction opposite from burden sharing. For example, the cuts in the international organizations which you have already flagged do considerable damage to the actual programs that those organizations are carrying out. We are already beginning to see some of those damages in the U.N. Development Program as the arrearages pile up and as the payments are delayed.

In the case of the International Fund for Agricultural Development, the United States, if the administration's request is granted, will have paid only $74 million out of our pledge of $180 million by the stated period. So you can see that not only does this slow down the operations of those agencies but it also begins to develop a feeling of hostility toward the United States in this area.

My answer to your question on the multilateral side would, therefore, be that we are already beginning to see major problems for the United States and U.S. interests by the kinds of proposals and plans which the administration, in its first 2 years and now again this year, is beginning to implement.

Ms. BRAMBLE. I would like to add to that. You have before you a very diverse set of views about the foreign assistance program, and deficiencies that we see in it, or progress that could be made in improving it. But they do all go together. There is a coherent picture here. Resource conservation, population stabilization assistance, development assistance, generally. From our point of view, development is fully compatible with conservation of nature and natural resources if environmental education and sustainable kinds of agricultural programs are what is pursued, instead of strictly traditional economic development projects.

We think all of that combined is what works, and in fact, is the only thing that will work for stabilizing the development process in the many countries that need our assistance in this world. What we are seeing instead is reductions in the efforts of all of the pieces that would make a coherent development strategy, I guess because of a completely different view of what security is for the United States. I think all of us here would agree that the true, long-term, survival interests of the United States lie in the stability and economic betterment of the poor people of the world.

Ms. CAMPBELL. Mr. Sarbanes, I would add that the countries of the developing world which possess the genetic resources to which I referred in my statement are very aware of U.S. dependence on them, and are discussing among themselves ways in which to utilize our dependence for their political or economic gain.

I think we will be in a much better position to deal with this potential if we are also, at the same time as we are seeking—and in some cases probably demanding—free access to these genetic resources, if we are also providing assistance to those countries in maintaining and managing them.

Ms. SMITH. Not speaking for all 90 United States PVOs and cooperatives, but knowing the sense of the majority of those organizations, I can say that they feel very strongly about this. To reiterate a couple of points that have been mentioned along the table here: The long-term interest of the United States and its security and its eventual movement economically into a more healthy position requires that development has to take place in the rest of the world. Our foreign policy in the area of foreign assistance has to make that a priority for the long-term political and economic security of this country, and the global world to which we are interdependently brought together.

Mr. PINKHAM. Senator Sarbanes, just a brief word to say I concur in everything that has been said. I believe, in summary, the administration simply does not understand how tightly interdependent the whole world is now on every front. An investment in foreign assistance in many areas can be more productive for the United States than a similar investment in a variety of other things in this country.

I think the balance is shifting too heavily toward domestic and military, and not enough toward directions which would show a better understanding of the basic problems of the poor people of the world.

Senator SARBANES. Actually, the administration is increasing markedly the total amount going abroad. It is a question of the mix of it.

Mr. MINEAR. Yes; it is a question of the mix.

Senator SARBANES. I don't agree with the proposition that they are moving it back home from abroad. They actually are increasing in significant amounts what is going abroad, but they are doing the same thing abroad that they are doing at home. That is, they are moving toward a garrison state; their heavy emphasis is on the military in the definition of national strength and national interests, it is almost solely in military terms.

Here at home, making it possible for people to get a college education or doing research and development or improving our scien-

tific infrastructure is downplayed, and the same thing abroad as I perceive it. These are big dollar figures, but they are all in the security assistance programs; some in ESF, which we were trying to explore a bit this morning—the extent to which it is related to the economic development and human needs side, and the extent to which it is related to the military side.

But they are, in effect, trying to push upon the rest of the world the same thing they are pushing on our own society in terms of allocation of resources between the military and the nonmilitary sectors.

Mr. GWATKIN. I would agree with that perception, Senator. I think it will be recognized as such overseas, and, in part at least, for that reason it will not work. The world is too complicated a place to be ruled by military approaches alone for a country that has under 5 percent of the world's population. The good will of people overseas is going to be important, and if we are going to get that good will we must persuade them that we are not interested only in military means, but we are interested in their well-being.

For that reason I think we need particular emphasis on the kinds of activities that can persuade them that we are interested, and which will be a correct reflection of the fact that we are interested.

Mr. NELSON. To illustrate with a particular example that ties to Chairman Percy's concern about Haiti, all the military assistance in the world that we would choose to devote to Central America or the Caribbean is not going to stop an influx of people from Haiti who move from their country to the United States or to anywhere else because of the feeling that there is not an opportunity for them in Haiti to make a decent living.

In the most hardheaded, self-interested way, it ought to be clear to us that it is by bettering the opportunities and giving the kind of assistance that deals with that, bettering the opportunities of those impoverished people that we are going to check the flow of immigrants into the United States.

Senator SARBANES. Let me ask one more question. There is an argument now, or there is a concern, obviously, about the constituency supporting the foreign aid programs. Is it your perception that those who support economic and humanitarian assistance have been a moving force in helping to carry these programs, including the military parts of them? Or that those supporting the military parts have provided a moving force in helping to carry the economic and humanitarian assistance?

Or to put the question more baldly, I guess would the chances of carrying the program be greater if it were all economic and humanitarian and no military, or if it were all military and no economic and humanitarian?

Mr. PINKHAM. I do not see these as viable alternatives. I think it has to be a blend and a balance, but much more heavily loaded toward economic assistance. That is the real meaningful support. It is long term; it is not as glamorous in some ways, but it is more lasting and it brings greater results than the more short term, less imaginative military assistance. I do not think the military can carry economic support as a by-product at all.

Senator SARBANES. Anybody else?

Mr. MINEAR. There was a poll taken in 1979 which asked the American people, quite a cross section of them, if you had $100 to spend on foreign aid, how much would you spend on military and how much on economic assistance. The answer in the aggregate was $30 of each $100 on military assistance, and $70 on economic assistance.

So, I think from a constituency standpoint, certainly from within the religious community, the clear priority is on economic aid, on basic human needs aid, with a second priority on the military side.

Senator SARBANES. Wouldn't you agree that if you wanted the American people to support economic aid abroad, one of the best ways to do it would be to provide full employment at home?

Mr. MINEAR. I think that the two are really related. That if we could have Government policies which were directed toward human needs, wherever they exist, and toward human fulfillment, this would be a persuasive case in favor of the foreign assistance, as well.

Ms. SMITH. I would like to add another comment. I think that, hopefully, through these 90 private voluntary groups and other organizations in this country, Americans can be made to understand that, in part, their future economic situation depends on what happens with this global interconnection. That a growing number of jobs in this country are dependent upon certain things happening at the international level. This realization will increase their commitment to foreign assistance in the next decade.

Senator SARBANES. Thank you all very much.

Senator PELL [presiding]. Thank you, Senator Sarbanes. I appreciated very much your words of support for my endangered species amendment, and we will do our best to push it along.

I have another idea that I want to try out on you, and we have talked about it a little bit in this hearing. That is that last year, as you know, Congress approved a provision of law to double fiscal 1986 Government exchange of persons programs. That was an amendment of mine, too.

To follow up on that action, I am considering an amendment directing USIA to use part of the increase for exchanges only in the environmental area. There is concern, I think, for our environment that is, in many ways, a relatively recent phenomenon. This is true in the political arena and the academic world.

It is a new academic field. There is a need for research and teaching in the environmental area that can benefit enormously from cross-fertilization of scholarly ideas along the lines of the Fulbright academic program. An obvious example here would be the acid rain problem which we have just plunged into recently and which the Scandinavians have been working on for 50 years.

In the public policy area we have seen the number of environmental ministries moving from less than 10, or exactly 10 in 1972, to 110, 10 years later. Public managers in these ministries, the bulk of which are in the Third World, could benefit in the future if they had had 1 year of study in the United States, along the lines of the Hubert Humphrey Fellowship program.

A similar benefit would occur, in my view, by selecting leaders in the environmental area abroad to come to this Nation for short-term grants under the international visitors program. In fiscal year

1981 we had three visitors, and that was all, in the environmental area in the international visitory program. For fiscal 1982 the number has gone up to four. In fiscal 1981 there were only eight foreign scholars who came to this country on the Fulbright program, and three Americans went abroad.

There is, in my view, a clear need to increase the educational exchanges in the environmental areas. My proposal would be to do so without hurting any existing programs since it would be funded out of the already-mandated increase in the general exchange program.

So, I just wanted to get this statement off my chest to such an influential group as you are in the environmental field. I hope you like the idea, and if you do, to try to let your constituency be aware of it.

I will have a copy of this statement given to each of you. I would love to stay to get your personal reactions but I am catching an airplane in about 40 minutes. So I will say farewell, thank you for your support. If any of you want to send me written comments on this, I would appreciate it.

The CHAIRMAN. Senator Pell, before you leave, I would like to just ask if you did cover your own endangered species amendment. It has such an array of support from this highly respected group of organizations.

[The Pell amendment follows:]

THE PELL AMENDMENT

PART I

SEC. 119. ENDANGERED SPECIES.—(a) The Congress finds the survival of many animal and plant species is endangered by over-hunting, by the presence of toxic chemicals in water, air, and soil and by the destruction of habitats. The Congress further finds that the extinction of animal and plant species is an irreparable loss with potentially serious environmental and economic consequences for developing and developed countries alike. Accordingly, the preservation of animal and plant species through the regulation of the hunting and trade in endangered species, through limitations on the pollution of natural ecosystems, and through the protection of wildlife habitats should be an important objective of United States development assistance.

(b) In order to preserve biological diversity, the President is authorized to furnish assistance under this part to assist countries in protecting and maintaining wildlife habitats and in developing sound wildlife management programs. Special efforts should be made to establish and maintain wildlife sanctuaries, reserves, and parks; to enact and enforce anti-poaching measures; and to identify, study, and catalogue animal and plant species, especially in tropical environments.

(c) The Administrator of the Agency for International Development, in conjunction with the Secretary of State, the Secretary of Interior, the Administrator of the Environmental Protection Agency, the Chairman of the Council on Environmental Quality, and the heads of other appropriate agencies of the United States, shall develop policies and plans to protect biological diversity and to implement the objectives of subsections (a) and (b).

(d) Not later than one year after the date of enactment of this section, and at annual intervals thereafter, the President shall submit a report to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate on the implementation of this section.

The CHAIRMAN. Could I ask if any of you feel that other countries are getting the same sense of importance that we attach to the endangered species, and is there opposition to Senator Pell's amendment that you know of?

Ms. CAMPBELL. As to other countries, the Europeans have been making quite an effort in recent years through Europe-wide treaties to deal with their own endangered species. And, of course, there are some 80 countries now which are parties to the Convention on International Trade in Endangered Species which looks at only one aspect of the problem; it does not address habitat loss.

So I think there is increasing interest throughout the world about this problem. I have forgotten the second half of your question.

The CHAIRMAN. With respect to other countries, let me leave this thought with you before Senator Pell leaves. You would never have the chairman and a ranking minority member more deeply interested in any subject. Christine Stevens lives right across the street from me and we talk about whales all the time. I am vice chairman and Roger Stevens is chairman of the Kennedy Center Board, so we have a lot in common. I can assure you that there are no world leaders who come here with positions on this subject with whom I do not talk.

I talked to Prime Minister Nakasone about it at tremendous length, and I found him very much interested—the most responsive of Japan's Prime Ministers. But this committee can be very helpful in that regard. We do not mind a little lobbying with other countries. When you feel that other countries need a more sympathetic attitude in the case of whaling—the Soviets or whoever it may be—let us know.

But I think we are making progress in the area. Both Senator Pell and myself would like to commend you for the grassroots response that you have given, which strengthens our hand immensely. Thank you, Senator Pell, very much.

I would like to get a quick reaction, from as many of you as would be interested, to this question. A recent poll shows that 75 percent of the American people think we provide too much foreign assistance, as opposed to 67 percent 2 years ago. Now, that is probably understandable in light of the recession in this country. How can your groups mobilize support for the foreign aid bill in light of such public opposition?

In other words, you have demonstrated your ability in other areas—the environmental areas—to really put the heat on and help us immensely. Without your help, we cannot be nearly as effective. But in foreign aid, I have to go back constantly and justify it. I am going to have to fight for the $8.7 million increase in IMF funds. Without it we would have a totally unstable world.

But what thoughts do any of you have as to how you can help mobilize support for a better understanding? We cannot live in an unstable world, we cannot live peacefully and in good conscience, surrounded by misery in other lands. Somehow, we have to get this across to the American public better than we have. I hope you can help us.

Ms. Bramble?

Ms. BRAMBLE. As a start, the National Wildlife Federation has had, I think, at least a peripheral interest in and awareness of the national resources problems of the rest of the world for several years. Then we started a formal international program for the first

time, and the emphasis of that program is on ecologically sustainable development, and in explaining that to our constituency.

And I am glad to say that several of the small publications that we have put out to our members have sparked personal letters to me—not great numbers yet because it is still a new program, but I am finding a responsive cord among a surprising constituency, which is the very middle American, large center that is the National Wildlife Federation.

And I think that our emphasis on the developing world—specifically, the interconnections of wildlife needs with development, particularly migratory birds that actually fly back and forth and are totally dependent on habitat conservation and, therefore, stable development policies abroad—the connections are very obvious to our membership. And I think that we will be able to make them clear and help quite a bit in this field.

The CHAIRMAN. Great, that is wonderful. Thank you. Ms. Smith?

Ms. SMITH. One of the three primary goals of the private agencies in international development is to find a way to move that constituency of over 80 million Americans to support some of the major needs in the foreign assistance arena.

We are in the process of trying to develop a strategy whereby collaborative actions in certain sections of the United States can result in those constituencies being mobilized to give feedback and to support major foreign assistance activities. And I think we have in the past not done the job that we should be able to do.

I think one of the first things we must try to do in that strategy is target the kinds of arguments that can make different segments of the population buy into the foreign assistance needs and our interconnections globally that are consistent with where they are coming from.

When you look at the diversity of the PVOs like the Overseas Education Fund, we are targeting women in this country, particularly professionally and upwardly mobile women. Whether you are looking at the farmers or you are looking at small business people in this country, the multinationals or the average American—and the religious community itself is another big community—we think that in the next 3 to 4 years we can have a strategy that will have a real impact on the way those people can relate back to foreign assistance issues.

The CHAIRMAN. Wonderful.

Ms. Campbell?

Ms. CAMPBELL. Yes, Senator Percy, a number of the environmental organizations are scheduling a conference this June to address U.S. leadership on global environmental, population, and natural resource problems. And certainly, that will be used to mobilize our own members' and the public's support for effective programs to address these problems.

I am sorry Senator Sarbanes is not still here because this goes directly to a question he asked earlier. The more the U.S. foreign assistance program deals with widely perceived economic development problems in these countries and the less it is perceived as handing out military hardware to various recipient countries, the easier it will be for us to persuade our environmental constituents

or the population groups to persuade theirs that the foreign assistance program really works for something that they support.

Mr. MINEAR. Senator, along those lines, I do not believe that within the religious community with which we work there is a constituency for foreign aid—particularly, not for the foreign assistance program as it is proposed now with 60 cents out of each dollar going for security assistance.

We do believe that there is a constituency for basic human needs-oriented foreign aid programs which will have measurable results in terms of the poorest of the poor in developing countries. And we have seen that constituency at work, for example, in terms of getting the levels of the UNICEF appropriation up last year beyond what the administration and even the Senate had proposed.

So for us, the issue is not how do we better interpret the foreign aid program as it now exists, but how do we try to restructure the foreign aid program so that it is heavier on the economic development side and a little bit lighter on the military side.

Mr. NELSON. Maybe I could pick up directly on Larry Minear's comments. There was another interesting poll that was done for the Presidential Commission on World Hunger by market opinion research in 1979 or 1980 that asked a cross-section of the American population, would you like more or less or the same amount of your tax money to be spent for economic foreign assistance. This is just economic; there are similar polls about military.

And 80 percent, if I have my figures right from memory, 80 percent of people weighed in as wishing for less economic foreign assistance. Less tax money for that. When they were asked a second question, would you like the Government to do more or the same amount or less with your tax dollars to do something about world hunger, 60 percent said either the same amount or more. And the report concludes in an understated way that the American population does not seem to identify the economic foreign assistance package with dealing with problems of world hunger.

I had the pleasure of traveling and working with Bread for the World groups that are organized in various congressional districts, and I can speak from firsthand experience, as I know Larry can as well of his constituency, that if the programs were more clearly perceived as dealing with the needs of the poorest people in the developing world in a productive and lasting way, it would be a lot easier for those of us who are in the business of building a constituency to do that.

So in a way, I think I am kind of turning the question around: What is there we can do about the programs that would make it easier for us to build a constituency? Then we would be able to do a better job both ways.

The CHAIRMAN. Thank you.

Mr. Pinkham?

Mr. PINKHAM. Mr. Chairman, I was going to mention there are several coalitions in existence trying to achieve the end you suggest. But it would be helpful when leaders of less developed countries with serious population problems, who freely admit that it is their number one problem in their country, when they visit here, it would be most helpful if those who prepare the agendas for those meetings with the President and the Congress would somehow see

fit not to avoid the subject but put it on the agenda so it would be discussed and so it would find its way into the media coverage.

I think then the people will realize that it has importance and will pay attention to it.

The CHAIRMAN. Yes.

Mr. Gwatkin?

Mr. GWATKIN. My only comment would be to reinforce what has been said so far. The National Council for International Health is a rather new organization. We are trying to establish a grassroots network, and we hope very much that it will not focus simply on health but on broader issues of development. We will be dealing mostly with physicians and medical personnel. If we are going to interest them, the program will have to be one that demonstrates some kind of empathy with human welfare concerns.

The CHAIRMAN. Thank you. I have one comment that I try to put across in the State of Illinois as I talk about this subject—and I have to defend these programs a great deal as they go through this committee. I just try to picture for them what the world would be like if we do not have stability in the world.

We are increasingly becoming a have-not nation ourselves. We used to be the world's largest exporter of oil, and now we are the world's biggest oil importer. Things change very rapidly. Eighty percent of our raw materials come from abroad. One out of two farmers in Illinois is employed in exports of agricultural products. What if we did not have the $42 billion we get a year from agricultural exports? Where would we be? Agriculture right now would really be on both knees instead of just on one knee.

The problems of El Salvador, the problems of other world troublespots we worry about trace right back to some of the basic economic problems that exist in those countries.

We began these hearings with the example of Sudan, which has great economic problems. If we and others do not provide help and assistance, we are not going to be able to live in a safe and sound world. The world is interrelated in a great many ways. The job that you do in educating a large part of the American public is terribly important.

We are really very grateful for your being here. Your testimony has been excellent. Last night I studied those statements that were in, and they are well thought through. I know that because the Senate is not in session today we did not have many Senators—they had to go back to their States. But I know that they will enjoy reading the record.

We may have a few additional questions to submit to some of you. We will keep the record open for that purpose. On behalf of the entire committee, I wish to express deep appreciation to you and apologize for the lateness of the hour. We were talking about hunger, and you could apply that status to yourselves right now.

The meeting is adjourned.

[Additional questions and answers follow:]

AID'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

Question 1. Development assistance shows the smallest growth in the President's fiscal year 1984 budget request. Could you explain your understanding of the importance DA has within U.S. foreign policy objectives? What do the relative balances

between military and economic, and security and development programs reflect in terms of U.S. foreign policy priorities?

Answer. The process of developing the integrated foreign assistance budget involves a careful consideration of the foreign policy objectives this budget is intended to serve.

Development assistance has a very critical role to play within these objectives. DA seeks to address the basic human needs of the poor majority in developing countries. By addressing these needs, DA fosters economic growth and political stability, which directly contribute to the primary U.S. foreign policy objective of supporting stability and the spread of democratic values and processes.

Economic growth and stability cannot occur under conditions where a country's security is threatened by external or internal aggression. In our view, the level of military assistance required to meet possible threats has been lagging in recent years. As such, recent increases in this assistance are more in the nature of catching up to what the needed levels are, rather than emphasizing military assistance to the detriment of other resources.

In short, no fundamental shift has taken place, but a redressing of the balance has occurred. In fact, comparing the last Carter budget and AID's fiscal year 1984 proposed budget, the percentage of development assistance to security assistance has not changed significantly. This ratio was 64:36 in fiscal year 1980 53:47 in the fiscal year 1984 request.

ESF assistance, too, has been utilized for DA-type objectives, such as in Pakistan, Egypt and Zimbabwe.

All three modes of assistance are interrelated and support U.S. foreign policy objectives.

Question 2. In your view, does the fiscal year 1984 request of $1.889 billion adequately address these (U.S. foreign policy) priorities? Is there room for additional resources in our bilateral economic assistance efforts?

Answer. The fiscal year 1984 request has been developed, in consonance with the Department of State, using an integrated approach to the attainment of our foreign policy objectives, while addressing the needs of the poor majority in LDCs. In addition, the request takes into account the realities of constrained resources and the need to reduce the size of the Federal budget.

In developing our fiscal year 1984 request, we have also taken into account the development needs and priorities of individual countries, the absorptive capacity of each country and proposed assistance sectors, and the activities and assistance levels of other donors, both bilateral and multilateral.

Thus, while there is always scope, within any budget, for additional resources, we believe our fiscal year 1984 request is a reasonable and responsible one, given the LDC needs we are addressing, our foreign policy objectives and the budgetary limitations within which we must operate.

Question 3. This week Secretary of State Shultz announced the formation of a Commission to be chaired by Mr. Franck Carlucci III, that will examine the appropriate amounts, modes and purposes of our bilateral foreign aid program. Could you further elaborate on the purposes and membership of this Commission?

Answer. The purpose of the Commission on Foreign Security and Economic Assistance is to review the purpose and the various programs of U.S. foreign assistance and to make recommendations to the President, the Secretary of State, and the Congress.

The Commission will operate outside of the government, but will draw on both public and private resources for its staff personnel and financial support. The Secretary has appointed distinguished experts from the private sector and from the Congress to the Commission under the Chairmanship of Mr. Frank C. Carlucci III to study this complex and vital set of programs and issues.

The Commission membership is as follows:

MEMBERSHIP OF THE COMMISSION ON FOREIGN SECURITY AND ECONOMIC ASSISTANCE

Chairman

Frank C. Carlucci, President, Sears World Trade Inc., formerly Deputy Secretary of Defense.

Cochairman

Joseph Lane Kirkland, President, AFL-CIO.

Amb. Laurence H. Silberman, Executive Vice President for Legal and Governmental Affairs, Crocker National Bank, San Francisco, formerly Ambassador to Yugoslavia.

Dr. Clifton R. Wharton, Jr., Chancellor, State University of New York System and Chairman of the Board for International Food and Agricultural Development (BIFAD).

Public Members

Nicholas Frederick Brady (Senator), Chairman, Dillon, Reed & Co., Inc., former Senator from New Jersey.

Amb. L. Dean Brown, President, Middle East Institute, formerly Ambassador to Jordan.

Wallace J. Campbell, President of CARE.

Robert B. Delano, President of the American Farm Bureau Federation.

Thomas A. Dine, Executive Director, American Israel Public Affairs Committee.

Dr. Edwin J. Feulner, Jr., President of the Heritage Foundation.

Dr. Amos Azariah Jordan, Jr., Vice Chairman and Chief Operating Officer of the Center for Strategic and International Studies; formerly Acting Under Secretary of State for Security Assistance.

Adm. Thomas Hinman Moorer, Former Chairman, Joint Chiefs of Staff, formerly Chief of Naval Operations.

David Rockefeller, Formerly Chairman of the Board and Chief Executive Officer of Chase Manhattan Bank.

Dr. Michael A. Samuels, Vice President for International Affairs, Chamber of Commerce of the U.S.A.; former Ambassador to Sierra Leone.

Dr. Marina v. N. Whitman, Vice President and Chief Economist of General Motors; former Member, Council of Economic Advisors.

Congressional Members of the Commission

Senate Foreign Relations Committee

Senator Nancy L. Kassebaum (R-Kans.).
Senator Paul S. Sarbanes (D-Md.).

House Foreign Affairs Committee

Representative Dante B. Fascell (D-Fla.).
Representative Henry J. Hyde (R-Ill.).

Senate Appropriations Committee, Subcommittee on Foreign Operations

Senator Alfonse D'Amato (R-N.Y.).
Senator J. Bennett Johnston (D-La.).

House Appropriations Committee Subcommittee on Foreign Operations

Representative Matthew McHugh (D-N.Y.).
Representative Robert L. Livingston (R-La.).

Chairmen and ranking members of the relevant committees will be ex officio members.

The Commission will hold public hearings in several cities to assure full public participation in its efforts.

It will product an interim report in July, and a final report in September 1983.

Question 4. In addition to your responsibilities as the AID Administrator, you also serve as the Acting Director of the International Development Cooperation Agency (IDCA). You have served in an acting capacity now for 2 years in this post. At what point do you believe it appropriate to seek Senate advice and consent for this position?

Answer. As Secretary Shultz has stated publicly, the Administration continues to review the status of IDCA. As Acting Director of IDCA and as Administrator of AID I have continued to serve an extremely positive role in coordinating the development assistance activities of various separate organizations and programs. I will, of course, consult with the Committee should any change in the present status of IDCA be contemplated.

Question 5. As the AID Administrator you are responsible for the administration of programming ESF. Could you explain how your responsibilities in this regard differ from your responsibilities for programming development assistance? When administering ESF do you report to the Secretary of State or one of his deputies?

Answer. As you know, Section 531 of the FAA gives the Secretary of State responsibility for policy decisions and justifications for Economic Support Funds. The FAA states further that this responsibility is exercised in cooperation with the Director of IDCA. I am now serving as the Acting Director.

The legislation also states that, to the maximum extent feasible, in planning assistance intended for economic development, the same basic policy which governs the provision of development assistance should govern use of ESF funds.

IDCA/AID plays an active role with the Department of State in determining ESF levels and which countries receive ESF through the integrated budget process.

This integrated budget process flows through interagency reviews on Country Development Strategy Statements, Annual Budget Submissions (at which time DA, Public Law 480, and ESF resources are discussed), and security assistance requirements. These reviews culminate in the preparation of a budget submission to OMB in August, and are followed by preparation of State and AID Congressional Presentation documents for transmittal to the Congress in February. IDCA/AID and State are actively engaged in a dialogue on ESF resource allocations throughout this process.

IDCA/AID also participates in the establishment of the ESF Operating Year Budget and reprogramming of funds and/or any additional country requirements during the course of the budget year.

I confer with the Under Secretary for Security Assistance and Secretary of State in the administration of ESF. Also, AID is in almost daily contact with its counterparts in State's Politico-Military Affairs and Office for Security Assistance, Science and Technology with respect to allocating and apportioning ESF funds for country and regional programs.

In general, AID is interested in and responsible for the economic impact of ESF, particularly the development benefits which can be obtained with this form of assistance. State is interested in and responsible for the foreign policy and security aspects of ESF. Obviously these interests overlap. In cases where there may be disagreements between State and IDCA/AID, issues may be appealed to the Secretary, but this has been necessary only rarely. The relationship between State and IDCA/AID works well.

Question 6. When ESF and development aid are looked at together, it appears that a shift from projectized aid to cash grant transfers has taken place in our bilateral economic assistance program. Has such a shift occurred, and what are your views concerning the relative merits and disadvantages of each mode of economic aid?

Answer. EFS is a flexible instrument used to meet a variety of needs including balance of payments support, financing of infrastructure and other capital projects, and support for development programs of more direct benefit to the poor.

Wherever possible, and if appropriate, AID projectizes ESF to obtain the same type of development impact that is obtained with DA resources.

As Secretary Shultz has testified, nations of the third world have been particularly hard hit by the global recession, including significant reductions in their rate of growth and terms of trade. This economic picture combined with the need to support peaceful solutions to international problems which involve our own national security interests have led to the selective use of fast-disbursing aid mechanisms such as cash grants and CIPs which will have a beneficial development impact in stabilizing economies so that economic growth can take place.

The mix between projectized aid and cash grant transfers under the ESF account has not substantially changed over the past three fiscal years. In fiscal year 1982, approximately 33 percent of the ESF account was projectized and 44 percent was for cash transfers; in fiscal year 1983 we estimate 30 percent of the ESF account will be projectized and 50 percent will be for cash transfers; and in fiscal year 1984 32 percent will be projectized and 45 percent will be for cash transfers.

Within the cash grant category, Israel and Turkey are the largest recipients, accounting for $1,106,000 in fiscal year 1982; $1,085,000 estimated in fiscal year 1983; and $960,000, or one-third of the total proposed fiscal year 1984 EFS program. Therefore, when these more developed countries are excluded, the projectized aid is a relatively large proportion of the ESF program.

When ESF is provided in the form of a cash grant we seek development impact by linking our cash grants and commodity import program assistance with programs of other donors such as the IMF to bring about policy changes, for example, in concert with IMF stabilization plans.

Question 7. Within functional account totals there are several important changes proposed. Please elaborate on the following:

(*a*) The $33 million cut in the health account despite clear Congressional intent last year that more not less was needed in the health program overseas.

Answer. AID remains committed to a strong health program, and the decrease in the health account in fiscal year 1984 does not reflect a decision to accord these programs a lower priority. Rather, the decrease is temporary, and the result of three factors. First AID was able to fund adequately existing and new health projects with fiscal year 1983 funds, thereby decreasing our fiscal year 1984 requirements. Secondly, the Agency's new health policy de-emphasizes commodities and construction, and

emphasizes the use of low-cost health interventions. Less costly programs of this type are likely to result in a decline in AID's overall health account requirements. Finally, good field projects take time to develop, and the drop in the fiscal year 1984 request reflects the current effort by our field missions to develop new projects consistent with AID's new health policy. Among new programs in fiscal year 1984 will be a series of private sector health activities currently being developed.

In short, AID recognizes that although most developing countries have made significant progress in improving health and increasing life expectancy over the past decades, health conditions in the developing world remain poor. Real and sustained improvements in health are necessary for economic development and increased productivity in developing countries. The basic objective of AID's health programs is and will continue to be to help developing countries become self-sufficient in providing broad access to cost-effective preventive and curative health services directed at the primary causes of mortality and morbidity in those countries.

(*b*) The $32 million increase in Selected Development Activities?

Answer. AID requests $182.4 million in fiscal year 1984 for the Energy, Private Voluntary Organizations and Selected Development Activities Account (including $10 million for innovative activities in the Science and Technology program), a $32.2 million increase over the fiscal year 1983 appropriation. The fiscal year 1984 program places high priority on mobilizing greater involvement of the private sector—both United States and LDC—as a critical part of AID's development mission to help meet the basic human needs of the poor majority. These funds also have a multiplier effect in mobilizing private sector resources, through collaboration with Private Voluntary Organizations (PVOs) and the for-profit business sector.

Approximately $65 million in SDA funds will be used to encourage private sector development activities in less developed countries, a $13 million increase over fiscal year 1983. Special attention is given to activities that will encourage the growth of small and medium scale indigenous enterprises, to assist governments to eliminate policies which discriminate against small business and to establish intermediary financial and technical assistance organizations to benefit small entrepreneurs.

Over $33 million in SDA funds will be used for our collaborative programs with PVOs, a $5 million increase over fiscal year 1983. These activities tap U.S. private financial and human resources to mount people-to-people and self-help development initiatives and to help build the voluntary sector in LDCs.

Nearly $24 million from the SDA account will be used to (1) support new project design and development activities and (2) fund innovative research programs which focus U.S. technological capacity on developing country problems, an $8 million increase over fiscal year 1983.

The SDA account also supports developing country efforts to build the institutional capacity to plan and implement sound energy and environmental programs. The fiscal year 1984 program focuses on energy and environmental planning, training in conventional energy resources and environmental resource management, and technical assistance. Neary $23 million in SDA funds will be used for these activities in fiscal year 1984, a $4 million decrease over fiscal year 1983.

Finally, significant economies of scale can be achieved through regional cooperation in areas such as agricultural research, environmental management, energy conservation and development, and technology transfer. Over $13 million will support these activities in fiscal year 1984, a $10 million increase over fiscal year 1983. AID provides technical and financial assistance to regional organizations such as the African Development Bank, the Economic Community of West African States and the Caribbean Development Bank, and encourages regional cooperation through such activities as the Caribbean Basin Development Initiatives.

(*c*) The .6 percent in population assistance, yielding negative real growth in the account.

Answer. The small increase in the Population Planning Account for fiscal year 1984 does not represent a lessening priority on population assistance activities. There are several reasons for requesting this level of population assistance in fiscal year 1984.

The additional $10 million which Congress made available over AID's original fiscal year 1983 request allowed AID to fund some activities that otherwise would have to await fiscal year 1984 funding.

AID has been able to utilize ESF funds for population activities in some countries, e.g., Egypt, Zimbawe, Pakistan. The use of ESF extends our total assistance to population activities in LDCs, although it is not reflected in the functional account total.

Our contribution to UNFPA has been decreased by approximately 25 percent in fiscal year 1984, thereby freeing some funds for programs (bilateral and central)

over which AID has more direct management control and which reflect our increasing interest in private sector programs as well as contraceptive research.

This Administration continues to believe that assistance for voluntary family planning programs is an essential part of a cost-effective U.S. development assistance strategy, and AID will continue to accord priority to this area within the limits of our overall foreign assistance budget.

Question 8. Could you elaborate on the measures you have taken to implement the Pell-Percy amendment requiring a minimum of 12 percent, and a target of 16 percent, of AID's program budget to be channeled through PVOs?

Answer. In the last decade, AID support for PVO administered development programs has increased fourfold—from less than $50 million in fiscal year (4 percent) to over $190 million in fiscal year 1984 (13 percent).

In each of the past three fiscal years, over 13 percent of AID's development assistance program in the accounts earmarked [1] by the Pell-Percy amendment, was channeled through programs administered by PVOs. In fiscal year 1984 we estimated AID support for PVO programs will remain in this range (13.1 percent) or higher.

Experience indicates that as the planning year moves into the operational year, additional activities implemented by PVOs are identified which are not reflected in our current planning estimates.

As indicated in our recent PVO policy paper, we are paying specific attention to PVO planning levels in the Agency budget process. We are monitoring Regional Bureau planning levels for PVOs on a quarterly basis to assure compliance with the Congressional earmark.

AID has just completed a major effort to develop a new statement of policy on its relationsips with PVOs. More generally speaking, the PVO policy paper outlines steps which are being taken to strengthen the PVO role in overseas development. These steps include: increasing emphasis on support for their field-oriented programs, simplification of the grant process, and greater involvement of the PVOs in AID's country development strategy and budgeting processes. We believe that implementation of this new policy will help strengthen and augment our relationships with PVOs.

While AID has met the legislative requirement to channel at least 12 percent of the DA program through PVOs, we continue to be concerned that meeting the 16 percent target risks creating overdependence on U.S. Government funding on the part of the PVOs.

In addition, Congress should be aware that, since PVOs do not accept loan funds, they will actually be administering almost 18 percent of all grant funds in the DA accounts for fiscal year 1984. Table 1 summarizes AID support for PVO programs.

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[1] The Development Assistance accounts earmarked in the International Security and Development Cooperation Act of 1981 (Public Law 97-113) are the five functional accounts, the worldwide disaster assistance account, and the Sahel Development Program. The earmark excludes the American Schools and Hospitals Abroad program, Economic Support Fund activities, and special disaster appropriations such as Lebanon.

TABLE 1.—PVO PROGRAM SUMMARY EARMARKED ACCOUNTS

[Dollars in millions]

	Functional			Sahel			Disaster [1]			Total				
	Total	PVO	Percent	Total	PVO	Percent	Total	PVO	Percent	Program	Grant	PVO	Percent program	Percent grant
Fiscal year:														
1981 actual	$1,213.3	$165.7	13.7	$95.6	$8.6	9.0	$11.4	$0.6	5.3	$1,320.3	$933.3	$174.9	13.2	18.7
1982 actual	1,302.4	183.4	14.0	93.8	3.8	4.1	27.0	2.8	10.4	1,423.2	1,024.8	190.0	13.3	18.4
1983 program	1,314.7	177.8	13.5	[2] 96.6	5.6	5.8	25.0	3.0	12.0	1,436.3	1,027.0	186.4	13.0	18.1
1984 request	1,342.0	181.2	13.5	103.0	6.1	5.9	25.0	5.0	20.0	1,470.0	1,083.1	192.3	13.1	17.8

[1] Worldwide disaster relief, excludes supplemental requests such as the Cambodian and Caribbean Relief in fiscal year 1980, African Refugees in fiscal year 1980 and fiscal year 1981, and Italy Relief and Rehabilitation in fiscal year 1981 to fiscal year 1983 and Lebanon in fiscal year 1982 and fiscal year 1983. If these figures were included the percent of AID funds administered by PVO's would increase in those years.

[2] Includes $4.5 million earmarked for the African Development Foundation.

Question 9. AID has now had 2½ years of experience with the Biden-Pell amendment that provides small grants to PVOs in conjunction with public education on the world hunger problem. Could you explain how you have implemented this provision of law, and give your assessment of the effectiveness of these grants?

Answer. In fiscal year 1981 AID initiated the Development Education Program as directed by the Biden-Pell amendment to the International Security and Development Cooperation Act of 1980. Through this program AID provides funds to encourage and support private and voluntary organizations in their efforts to increase public awareness of the factors relating to world hunger and poverty and to facilitate public discussion and analysis of these issues.

In fiscal year 1981, two levels of activity were initiated. The first, designed to promote a dialogue on hunger and development issues among the media and private and voluntary organizations, is intended to increase the quantity and quality of coverage and promote the analysis of hunger and international development issues in the U.S. media. Three "Media Roundtables" were held in fiscal year 1982 as a result of this initiative and more are planned for fiscal year 1983 and 1984. The second level of activity begun in fiscal year 1981 and carried on through fiscal year 1982 is the public schools curriculum project. This activity is designed to bring development issues including hunger into the school systems and encourage the leadership of national educational associations to recognize the value and significance of global issues in their curricula. Education packets were prepared and are now being tested in selected schools throughout the United States. We will continue to promote the dissemination of these materials through fiscal year 1984 in addition to sponsoring the design in implementation of other related materials.

The third level of activity is the Development Education Grants Program. Introduced in fiscal year 1982, this initiative represents our major program element to date. Under this competitive grant program, AID provides financial assistance on a cost-shared basis to private and voluntary organizations to encourage their development education efforts. In fiscal year 1982, 11 grants were awarded to PVOs through this program totalling approximately $600,000. Projects include: support for local community programs carried out in cooperation with private and voluntary organizations; activities which tap the development educational potential of cooperatives; and seminars and workshops for specific target groups such as women, educators, community and business leaders, minorities, and youth. The selection process for the second cycle of grant awards began on March 1, 1983 with the issuance of the "fiscal year 1983 Guidelines for the Development Education Project Grant Program." The deadline for the receipt of proposals is May 1 and we expect to announce this second round of grant awards by the end of July 1983.

The funding level for Development Education in fiscal year 1983 is $1 million. We propose to continue this level of support in fiscal year 1984.

Question 10. Some AID officials have complained that the overall percentage of AID funds provided PVOs is distorted because of the low level of PVO activities in the Sahel and other exceptionally poor countries. Please comment.

Answer. The percentage of AID funds channeled through PVOs in the Sahel is about 6–7 percent, compared to the Agency-wide total of some 13 percent. The same general situation exists with respect to other exceptionally poor regions and countries.

There obviously are a number of reasons for this situation, some readily apparent and some more difficult to identify and address.

For one thing, there are relatively fewer PVOs operating in some of these poorer regions and countries. For example, as of January 1983 some 51 indigenous PVOs were registered in Latin America while only four were registered in Africa, none of which were in the Sahel.

The Sahel program maintains good relations with a number of PVOs, i.e., CARE, AFRICARE, Partnership for Productivity, Save the Children Federation, Catholic Relief Services, and other private voluntary organizations. We will continue to encourage increased participation of PVOs that is in line with the focus of the Sahel Development Program.

On a broader level, I want to assure the Committee that the Agency is committed to increasing the level of funding for PVO development activities, not only in the Sahel, but in all of our activities where PVOs can be effectively used, and we will continue to take all appropriate measures to bring this about.

Question 11. In 1981 Congress adopted a provision, originated in the House Foreign Affairs Committee, that sets a statutory ceiling on the percentage of AID funds

that can go to any one PVO. Could you explain how AID has proceeded to implement this provision which becomes effective at the end of 1984?

Answer. Several steps have been taken by the Agency to implement the provision that a PVO must receive 20 percent of the financial support for its international activities from non-U.S.G. sources in order to be eligible for grants. The recently approved PVO policy paper formally incorporates this requirement into Agency policy, stating that as of January 1, 1985, it will become a condition of eligibility for grants available under the PVO grant program. In the intervening period the Agency will encourage and monitor a progressive phase-in towards this requirement by current PVO grantees. Reference to the 20 percent requirement has also been incorporated in the newly-published regulations governing the Agency's registration of PVOs and documentation requirements have been added, as a condition of registration, which will enable us to accurately calculate each registered PVOs compliance.

Specific procedures for determining compliance and for informing AID offices and field Missions of each PVOs status with respect to it are now being developed. In the interim, we have made initial calculations on the percentage of non-U.S. Government funding each registered PVO receives to identify those cases where compliance may be an issue.

Question 12. AID's recent policy paper on the AID/PVO relationship specifically states that "focusing AID funded PVO programs on country-specific development needs and priorities does not compromise a PVO's independence to program its activities in that country." Could you elaborate on what is meant by that statement?

How can AID ensure that in the field a PVO can continue to preserve its uniqueness as an organization?

Answer. By the very nature of their independence, PVOs are responsible for establishing their own program priorities and activities. As a result, the sectoral, functional and regional emphases of PVO programs may not adhere to the areas in which AID concentrates its resources in its bilateral program.

The realities of budget constraints and the need for development impact in the field require targetting USG funds on PVO programs that address AID identified country-specific development needs and priorities.

AID is limited in its ability to adequately meet all of a country's priority development needs in its bilateral program. Collaboration with PVOs has proven to be an effective means of expanding the scope of AID's total development efforts in regions or sectors where AID is absent, or in areas where existing AID funded programs can be complemented through PVO utilization.

AID recognizes that PVOs play an important, often unique, role in meeting the development needs of LDCs. AID has taken steps to ensure that in the field PVOs can continue to preserve their uniqueness as organizations by instituting minimum requirements of voluntary private support that they must meet in order to qualify for funding under the PVO grant program and by continuing to encourage cost-sharing arrangements. Overreliance on USG funding threatens to undermine the independence of action and private sector base of PVOs, two valuable characteristics of PVOs.

Question 13. In that same policy paper, AID establishes categories of PVOs. A separate category is established for family planning PVOs. Given the fact that many of the "PVOs" funded by the Office of Population were in fact originally established at AID's behest, and that almost 100 percent of their funds derived from AID, why should they be treated separately from "traditional volags?"

Answer. As stated in the policy paper, AID has disaggregated organizations within the PVO rubric, such as the family planning organizations and cooperatives, into a number of more homogenous subgroups in order to accurately reflect their historical, structural and financial differences. The division takes into consideration the dual role for PVOs as independent development agents and also as "intermediaries" for AID. Our intent in identifying these categories is to facilitate clear and effective decision-making in implementing AID's PVO policy.

The family planning organizations serve as a vehicle to transfer resources and know-how to developing world counterparts. As in the case of the cooperatives, their international activities were initiated largely at AID's request. Unlike more traditional PVOs, such groups do not attract large amounts of private funding for international activities and are unlikely to qualify for the PVO grant program, relying heavily instead on AID institutional support to operate overseas programs of priority interest to AID's population strategy.

Question 14. The Bureau of Private Enterprise (PRE) has been operational for two years now. Could you cite for this Committee its chief accomplishments in that time period? How many new, private sector projects have been generated through the efforts of PRE?

Answer. Principal accomplishments to date of the Bureau for Private Enterprise include: $12.35 million in project financing by PRE; approved "Set-Aside" guidelines and agreement with regional bureaus on $150–$200 million in "Set-Aside" projects which will utilize private enterprise mechanisms for achieving development objectives and in which PRE will play a major role in project design efforts; nine reconnaissance missions which identified many of the above mentioned project opportunities, and which served as the initial step in opening broad dialogue with the respective host country governments and private business communities; mission support activity contracts with eight organizations and advisory services to five Missions; approved Policy Paper which has received widespread distribution; Internal Private Sector Liaison Committee established to discuss (1) private enterprise policy related issues, (2) progress on "set-aside" program, (3) PRE project/program activities, and (4) plans of the regional and other central bureaus to fund private enterprise related activities; and assembled small, highly competent Bureau staff.

The Bureau has now provided partial funding for seven new major projects totalling $12.35 million. This was matched by an additional $26.36 million in local and other counterpart funding for those projects. Since most of these loans were to intermediate financial institutions as partial capitalization for new private institutions, we expect total matching funds will reach $40–$50 million. These projects include establishing agribusiness investment funds for small and medium sized agribusiness firms with two commercial banks (Kenya and Thailand); partial capitalization of Peru's first leasing company which will provide equipment to small and medium-sized rural manufacturers and agribusiness operations; financing to a micro-business development institution which works through host country private financial institutions to provide loans and advisory services to very small entrepreneurs; capitalization of an investment fund with a private life insurance company in Jamaica for on-lending to small and medium-sized agribusinesses, and support to new, privately supported and operated training institutes (management oriented in Thailand and technical/vocational in Peru).

The Bureau has also provided considerable support and assistance to country missions in the development of their overall strategies and project designs through active participation in country strategy review sessions and advisory services to the Missions in such areas as non-traditional export promotion, small business development and financing, and management/technical training. New projects identified through this process which may receive partial PRE funding are: Full service small business financing institution in Jamaica; export trading cooperative and small business financing institution focusing on black entrepreneurs in Zimbabwe; interisland shipping company to serve small agribusiness and manufacturers in the Caribbean; Productive Credit Guaranty Program (Section 222A) through a private commercial banking institution in Jamaica; and venture capital firm to provide debt and equity financing to small enterepreneurs in Central America and the Caribbean.

Question 15. The AID policy paper guiding the PRE Bureau took little note of the "New Directions" mandate in legislation since 1973. How have you ensured that PRE projects and policies are fully compatible with the statutory requirements of existing law? What are the criteria employed in approving private sector programs in the regional bureaus?

Answer. Private sector related activities which receive funding must demonstrate, like other AID-funded projects, that they contribute to achieving developmental objectives consistent with the basic human needs mandate.

PRE activities emphasize projects and programs which generate employment, transfer technology, increase foreign exchange earnings, develop management and technical expertise, and create local private captial markets for mobilizing savings for investment. Most of PRE investments to date have been for agribusiness and rural development. Such projects will enhance the ability of the local private sector to make contributions to the accomplishment of the New Directions Mandate by providing specific goods and services, in specific areas, e.g., agriculture, health services, while also creating jobs and upgrading skills. Such sectors as agribusiness, health and medical services and products, small and medium indigenous job creating business development and non-traditional export promotion are areas of current attention.

PRE negotiates terms and conditions with the borrower or grantee on who will benefit from our assistance. We require periodic reports on the developmental impact of the project and visit the project periodically.

Criteria used by Regional Bureaus in approving private sector programs are the same used in evaluating any other project. That is, any project must be able to dem-

onstrate that it is consistent with and contributes to the basic human needs objectives of the Foreign Assistance Act.

Question 16. How does AID avoid the pitfall of becoming another IFC, EX-IM Bank or OPIC as it attempts to carve out a role for itself in linking U.S. private firms and developing country markets?

Answer. The focus of AID's private sector program, particularly that of the Bureau for Private Enterprise, has been carefully designed to assure compatibility with and complementarity to those of other internationally concerned agencies.

With respect to the Overseas Private Investment Corporation (OPIC), the programs are especially complementary. OPIC's customer base consists of U.S. corporations seeking investment in the developing world, while AID's (especially PRE) target group will be developing country private sector institutions/enterprises which are in need of medium- to long-term capital, management expertise and other technical assistance, and, perhaps, technology transfer in order for the particular institution/enterprise to be viable. OPIC's investment promotion tools, primarily political risk insurance and loan guaranties (some direct lending is available) for U.S. firms complement the various debt instruments which AID/PRE will provide to indigenous enterprises and institutions in selected developing countries. Also AID's overseas presence can serve not only AID's monitoring and control needs with rspect to this program, but also OPIC's needs to a greater extent than at present.

In addition to the Director of IDCA's function as OPIC Chairman, AID/PRE has initiated periodic staff liaison meetings with OPIC to assure program complementarity and non-duplication of efforts. We have been making available to OPIC the results of our reconnaissance team missions, which allows them to plan follow-up U.S. investment missions to those countries—e.g. Thailand, Pakistan.

The AID/PRE program also fits well with the programs of the International Finance Corporation (IFC). Both AID/PRE and IFC target efforts in the indigenous private sectors. AID/PRE's efforts, however, will focus on some sectors which recently have constituted a relatively small percentage of IFC's investments (e.g. agro-industry) thus further complementing that institution's activities. We work closely with IFC and (to the extent it leverages additional resources) co-finance selected business activities (e.g. Sogewiese Leasing in Peru). Unlike AID/PRE, IFC can and does take equity positions in the enterprises it finances.

Both AID/PRE and IFC are interested in advising LDC governments on improving the investment climate and on helping intermediate financial institutions in promoting private sector development. IFC, however, has limited technical assistance funds which AID can supplement.

The principal objective of EX-IM Bank programs is the export of U.S. goods and services through competitive financing. Once again, similar to OPIC, the focus is on the U.S. business enterprise. While the import of U.S. goods and services may result from AID/PRE financed projects, it is not our principal objective.

Question 17. The Administration's fiscal year 1984 legislation includes a proposal for a Revolving Fund which is to be managed by the PRE Bureau at AID. Please provide this Committee with some additional detail regarding the justification for such a Fund, and its intended operation and function.

Answer. The purpose of the revolving fund is to establish an innovative mechanism, with manageable risk, that would permit AID to experiment with private sector development techniques free of some of the existing legislative constraints. The activities financed under the Fund will promote the use of private enterprise in LDC's to carry out development programs, consistent with the FAA and in the context of the New Directions mandate, and to utilize the resources and talent of U.S. private enterprise to the extent possible in achieving that purpose.

Such a fund would provide a sense of continuity and permanence to AID's private sector initiative that would encourage the U.S. private sector and private lending institutions to participate with PRE in financing development projects in developing countries. Performance of the fund would be directly linked to management responsibility, thereby assuring accountability to PRE management, the AID Administrator, and the Congress and credibility with the private sector. This accountability is absolutely essential for obtaining the cooperative participation of United States and international lending institutions. It will also help assure that only those activities which meet AID development objectives and are commercially/financially viable in a competitive market environment will receive financing.

The no-year character of the Revolving Fund's assets would permit AID to work in an innovative way with private enterprise on a businesslike basis, free from much of the bureaucratic red tape which would otherwise render it impossible to work more closely with the United States and LDC private sectors. The no-year character of the fund's assets for example, would permit the fund's managers to op-

erate unconstrained by certain fiscal year limitations—such as the need to obligate funds by fiscal year end; projects could be chosen and negotiated based upon the timing that could best satisfy program requirements. The ability to re-use repayments would encourage the fund's managers to negotiate the terms most favorable to AID (consistent with development objectives), to terminate loans not being utilized efficiently and to utilize those funds for other projects, and to sell our portfolio to interested investors thereby permitting AID to undertake new activities. This latter is particularly important in co-financed projects.

The Assistant Administrator for AID/PRE would be formally delegated the authority by the AID Administrator to manage the Revolving Fund. The Assistant Administrator would make the final decisions concerning the operation of the Revolving Fund, consistent with the FAA and AID regulations. Individual projects proposed for financing with Revolving Fund resources would be reviewed and approved by a committee consisting of PRE and one representative each from the AID Bureau for Program and Policy Coordination, the Office of the General Counsel and the regional or central bureau affected by the activity.

The Assistant Administrator for AID/PRE may also appoint an Advisory Committee to advise him or her with regard to policy, strategy and budget for the Revolving Fund. The Advisory Committee would consist of up to seven members, selected from the U.S. Government and the private sector. At least one-half of the members of the Advisory Committee would be selected from the private sector.

Prudent management guidelines consistent with AID policies and regulations would be followed to ensure that Revolving Fund assets are used and repaid according to the terms of AID's agreements. Interest rates and related terms of Revolving Fund agreements would be established with reference to sound business practices, the nature of the risks, project objectives, portfolio diversification and the need for the Revolving Fund to be viable and self-sustaining. AID/PRE would evaluate the credit worthiness of enterprises prior to executing financial transfer agreements with them, and review periodically the performance of assisted enterprises and their repayments to AID. AID/PRE may request that certain institutions revise their operations to ensure appropriate performance.

Question 18. What controls do you believe Congress ought to have on the size and project approval processes of such a Fund?

Answer. The legislation would authorize up to $20 million per year in appropriations for the Fund. We recommend that up to $60 million be appropriated over a 3-year period. A detailed presentation of the priorities and types of project investments would be described in each Congressional Presentation. We have further proposed that once the Fund has reached the $100 million level in total capitalization through repayment of interest and principal, assets above this level would be returned to the Treasury.

In addition to these controls, there would be an annual report and audit (by an outside independent auditor) submitted to appropriate agencies (i.e. OMB, Treasury, GAO) and the Congress to allow close monitoring of Fund activities. This report would include detail on the activities financed by the fund during that particular year. Following its third year of operation, we plan to undertake a major evaluation to determine its progress and whether or not changes or termination are appropriate.

Throughout the life of the fund we plan to consult closely and regularly with the Congress on Fund activities to assure mutual understanding of objectives. Each year's program would be described in the annual Congressional Presentation. In addition, we would notify Congress when the intended fiscal year obligation for a type of activity financed under the Fund changes by more than $1.0 million from the amount specified in the CP, or when a new type of activity of $1.0 million or more that was not included in the CP is planned for the fiscal year.

Question 19. At the time of its consideration of the Morris nomination as Deputy Administrator this Committee was provided assurances that planned "Regional Advisory Committees" would be bipartisam in their composition, and that we would be consulted prior to the est. blishment of the Committees. What is the current status of these advisory panels? What is to be their function and purpose?

Answer. The purpose of the Regional Advisory Committees is to advise the Agency on development strategy. Also, members will advise the Administrator on methods to improve the effectiveness of the foreign assistance program. The members will donate their time and expenses. They will not receive reimbursement for their services, including travel and per diem. The committees are advisory in nature and have no program function, contract review function, and no spending authority. There is a continuing need to obtain the public's views on the direction of foreign

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assistance, and the advisory committees can serve an important function in achievement of this goal.

Advisory committee members have been selected, and we expect to formally announce the membership as soon as dates for the first meetings are in place. During consultation with the Honorable Charles Percy and the Honorable Clement J. Zablocki, and in correspondence September 28, 1982, the Agency accepted the Members' suggestions that the committees be bipartisan in nature. Between September and January 1983, candidates submitted from the Congress were enthusiastically received by the Agency, and given careful consideration in the selection process.

Question 20. A number of meetings were held with visiting Egyptian officials at the time of President Mubarak's visit to Washington earlier this month. Can you share with this Committee the outcome of the discussion you had with those officials.

Answer. We did have a series of meetings with the Minister for Investment and International Cooperation, the Minister of Economy and Foreign Trade and the Minister of Planning. Additionally, I participated in several meetings with President Mubarak.

Essentially we discussed two topics in these meetings. The first concerned the economic policies the government plans to pursue to address balance of payments and budgetary problems being faced by the Egyptian economy. In particular, we emphasized the importance of price reform, especially for energy and agricultural commodities, and a reduction in budget subsidies.

Second, we discussed the new Egyptian 5-year investment plan and the priorities for the allocation of AID funds. It was agreed in principal that we should assign highest priority for AID funding to water and wastewater systems improvement and to the industrial and agricultural production. Further, with regard to water and wastewater, AID agreed to give sympathetic consideration to the allocation from expected availabilities of up to $1 billion over the next 5 years for this purpose. It was agreed that particular attention would be given to the needs of the urban populace of Cairo, Alexandria and the Canal Cities. For its part, the Government of Egypt agreed to provide adequate authorities to the water and wastewater institutions to effectively implement the investment program and to operate and maintain the improved systems; to revise tariff structures to a level which, by the end of the program, would produce revenues equal to the operation and maintenance requirements of the system plus depreciation adjusted for inflation; to permit the water and wastewater authorities to retain all tariff revenues; and to provide sufficient budgets to the water and wastewater authorities to cover O&M until the tariff increases fully meet these requirements. Details on these undertakings remain to be fully worked out.

Question 21. One of the mechanisms most frequently cited as a useful management tool for our aid programs, and of particular benefit for the Egyptian aid program, is the so-called deobligation/reobligation authority. Why was such authority not sought in this year's legislation? What are your views on the utility of such authority were you to be given it? Is there still a possibility that such authority might be requested later this year?

Answer. I am convinced deobligation/reobligation authority would be a very valuable management tool. We expect to transmit a request shortly which will be limited to our Egypt program. We are working now with the OMB to try and determine an acceptable form for the request.

The idea behind deob-reob authority is simple enough: funds currently obligated to projects which are not performing satisfactorily would be shifted to projects with good prospects for success. There are two management benefits which would result from this deobligation and reobligation of funds. First, projects which are not performing properly require more management attention than those that do, so over the long run there would be a cost savings from deob/reob. Second, the overall effectiveness of the programs would be enhanced with resulting development benefits to Egypt, in this case, and resulting foreign policy benefits to the United States.

In special cases, where Congress has provided funds which are to remain available until expended, AID already has authority to deobligate and reobligate funds. In the Sahel, for example, where program management is particularly complex and difficult, deob/reob is a comparatively routine financial transaction. Projects for which funds are reobligated are, of course, subject to normal congressional notification requirements.

However, unlike "no-year" authority, deob/reob authority must be treated as a reappropriation and therefore must be scored as new budget authority. This means deob/reob authority for Egypt would compete with our request for new funds at any stage in the budget process where overall ceilings are established. Naturally, the

Administration is reluctant to jeopardize its request for new funds. Deob/reob would be an important management tool, but it may not have as high a priority as the programs included in the budget.

As I said, we are working with OMB on an acceptable form for our deob/reob request. This is a case where the rules of the budget process do not adequately address the situation. On one hand, the financial transaction is the same as in "no-year" money and deob/reob in Egypt would result in no additional outlays over the long run. On the other hand, there would be a change in the treatment of funds already appropriated by Congress and, according to existing convention, this change would be counted as new budget authority.

In any case, I'm hopeful we will be able to find a way, working with the Congress, to permit deobligation and reobligation of funds in Egypt. It may require some creativity on everyone's part, but I believe the benefits are well worth the effort.

Question 22. The first major foreign aid commitment of this administration was announced by you at the ZIMCORD pledging conference in Zimbabwe in March 1981. Why has the administration lowered its program level ESF for Zimbabwe from $75 million to $60 million in fiscal year 1983? What is your assessment on how well this ESF program has worked?

Answer. We support the GOZ and will continue to honor our pledge made at ZIMCORD in support of GOZ strategy.

Our requirements in Africa exceed fiscal year 1983 ESF funds available under the continuing resolution requiring a reduction in our proposed level.

We intend to seek restoration of the $75 million level for fiscal year 1983 by requesting a supplemental appropriation.

The reduced level of $60 million does not represent a negative judgment regarding either the progress which has taken place since independence or the continuing need for assistance.

The ESF program is working well, simultaneously affecting the commercial and traditional sectors.

Foreign exchange from the Commodity Import Program is permitting the procurement of capital equipment and spare parts, thus facilitating the maintenance of productive industries.

Local currency generations are financing the construction of rural facilities (markets, roads, water systems) benefitting the traditional farmer.

Training programs are directly addressing manpower shortages which limit growth while affecting management of both the public and private sectors.

Question 23. In many nations (Egypt, Lebanon, Zimbabwe for example) the ESF program includes a strong Commodity Import Program (CIP) which assists the recipient nation in its foreign exchange management while promoting the export of U.S. equipment, goods and services. How well has the CIP worked, in your judgment, and what improvements can be made to make it more beneficial to donor and recipient alike?

Answer. After some initial delay as end-users became familiar with AID procurement regulations and procedures, the CIP program has been running smoothly in Egypt, helping Egypt meet its foreign exchange needs and financing U.S. exports. Recently several modifications have been made to amplify the effectiveness of the program in serving multiple purposes. There has been a shift away from consumption-oriented commodities toward development-related machinery and equipment. Financing of private sector imports has been expanded by splitting off this element of the program and establishing it within a separate project. Finally, a portion of the CIP has been earmarked for a Trade Financing Facility through which AID funding can leverage private and/or EXIM financing and enable U.S. suppliers to compete with mixed credits offered by suppliers in other countries.

Question 24. In some nations, such as the Philippines, Haiti, Honduras, Kenya and Morocco, the United States provides both development aid and ESF. In the practical planning and implementation of those programs, are distinctions made between funding sources? Are separate accounts maintained for DA and ESF in such nations?

Answer. The basic distinction, and the reason for maintaining separate accounts, is the U.S. motivation for providing assistance. ESF directly serves U.S. foreign policy and security interests. DA serves long-term foreign policy interests and the development needs of the recipients. There is some overlap.

ESF is a flexible instrument used to meet a variety of needs including balance of payments support, financing of infrastructure and other capital projects, and support for development programs of more direct benefit to the poor.

Development assistance is viewed in terms of bringing about long-term changes and is generally provided on a project basis with specific purposes and goals in

mind. Where possible, and if appropriate, AID projectizes ESF to obtain the same type of development impact that is obtained with DA resources.

We integrate all forms of assistance, i.e. DA, Public Law 480, and ESF, in order to have the greatest impact on development objectives in recipient countries.

Where projects are involved, such as in the Philippines, the same personnel plan and implement both DA and ESF projects.

Separate accounts are maintained for DA and ESF in those countries which receive funds from both sources.

Question 25. The administration is requesting a Lebanon supplemental aid program that includes $150 million in ESF. You have played an important role coordinating the U.S. effort in Lebanon; would you elaborate on the purposes for which this $150 million will be used for? How long will we continue to see such commitments of large aid to Lebanon?

Answer. The requested $150 million supplemental aid program for Lebanon is projected as a 2-year program (fiscal year 1983 through fiscal year 1984). It will be directed toward rehabilitation and reconstruction of Lebanon's public sector. The major focus will be on the greater Beirut area and will include some assistance to Southern Lebanon. The primary sectors for assistance will be water/sanitation, health, and telecommunications although there will be a substantial Captial Equipment Funds established to assist in meeting equipment and supply needs in other sectors.

The supplement program we believe will have a long-range catalytic effect on attracting more fiscal resources for the reconstruction effort from other donors. In addition, the large U.S. commitment will also serve as an added inducement for U.S. private sector involvement in Lebanon's reconstruction.

A brief description of the $150 million supplemental package follows:

Water/sanitation ($32 million): for repair and rehabilitation of water and sewer systems and solid waste collection and disposal systems.

Health services ($10 million): most of this money will be used for reconstruction and reequipping health facilities; and, the remainder will be used to improve fiscal accountability and training opportunities as well as test pilot health insurance options.

Small scale enterprise ($10 million): credit will be made available for small businessmen to allow them to replace antiquated equipment and make war-delayed investments for limited expansion.

Telecommunications ($15 million): emergency assistance for rehabilitation and restoration of services for private, industrial, commercial, and government users in greater Beirut area.

Capital Equipment Fund ($69.2 million): fund capital equipment for public and private uses in a manner which will facilitate investment of U.S. suppliers.

Save the Children Federation ($6.2 million): agricultural and business credits for cooperative and community initiatives.

Catholic Relief Services ($2.6 million): rehabilitation of selected private educational, health, and social welfare institutions damaged or destroyed during the past eight years.

Y.M.C.A. ($1.5 million): vocational training.

Health Education ($1 million): preventive health training for public health practitioners and service workers.

Council for Development and Reconstruction (CDR) ($2.5 million): technical assistance for the CDR as well as other Lebanese Governmental agencies emphasizing improvements in the government's capabilities to plan, design, and manage reconstruction programs.

We have no plans for commitments of economic assistance of this magnitude from the U.S. Government beyond the proposed 2-year program.

Question 26. What proportion and types of funding under DA and ESF are tied to the purchase of U.S. goods and services? What changes has AID introduced with respect to tying during the past 2 years?

Answer. AID recognizes the importance of U.S. exports to the U.S. economy. AID programs have therefore sought, consistent with the basic development objective of our assistance, to link our assistance with the exports of U.S. goods and services. It has been estimated that close to 70 percent of our total economic assistance, including Public Law 480, is used for the purchase of U.S. goods and services. For DA it is estimated that approximately 67 percent is used for the purchase of U.S. exports. For the ESF program, the corresponding figure is slightly above 50 percent. Virtually all of our Commodity Import Programs and our technical assistance results in procurement in the United States. Similarly, our assistance projects which have an identifiable import component are almost totally devoted to procurement of U.S.

goods. The U.S. Public Law 480 program by its very nature constitutes procurement in the United States.

A number of AID activities do, however, result in offshore procurement. The funding of local cost expenditures, particularly in Africa, represents one element of the DA program which is often not directly related to U.S. exports. For the ESF program, cash grants and loans form the major non-U.S. procurement element.

The major change in AID procurement procedures in the last 2 years is the adoption of limitations on 941 (developing country) eligibility to compete for AID construction and engineering services contracts. Specifically, current 941 countries whose per capita income is above the World Bank's threshold for countries singled out for receiving shorter amortization terms on its loans are no longer eligible to compete for AID engineering or construction services contracts. The IBRD threshold is currently a 1981 per capita income of $1,645.

Question 27. Would you consider it appropriate to look at selective extensions of aid tying to U.S. procurement where it would result in additional U.S. exports without significantly reducing aid valued?

Answer. A significant proportion of AID assistance is already linked to the procurement of U.S. goods and services. The three major elements which result in the procurement offshore are: (1) ESF cash loans and grants primarily in the Middle East, where strategic/political factors affect the nature and level of assistance; (2) local cost financing, particularly in the low income countries of Africa which include such important activities as rural development, institutional development, and the creation of basic infrastructure, all of which may have an extremely small import component; and (3) 941 procurement rules which permit other LDCs to compete with U.S. exporters on the procurement of goods financed by AID. In the case of 941 procurement, while viewed as a positive response to the LDCs, the total procurement won by the LDCs has remained extremely small. Thus it is not clear that there is significant scope for further tying of the program without affecting the developmental and/or political impact of our assistance.

Question 28. What proportion of U.S. aid to Egypt has involved mixed credits of the type you described this morning? Please suppiy an example of what this procedure involved (e.g. what types of credits are mixed)? In what circumstances do you feel this procedure is appropriate?

Answer. A total of $75 million has been made available through the Commodity Import Program (CIP) for a Trade Financing Facility (TFF) in Egypt to assist U.S. companies that are otherwise low and responsible bidders to compete with mixed credits offered by supplies in other countries. Of this amount, $25 million was obligated in fiscal year 1981, and $50 million in fiscal year 1982.

Two transactions with TFF financing totalling $5.9 million have been approved. $3.6 million has been allocated to the Egyptian Electrical Authority (EEA) to finance the purchase of General Electric equipment for a power project at El Mahmoudia. $2.3 million has also been allocated to EEA to purchase Westinghouse equipment for a power project at El Siouf. Both transactions involve Ex-Im Bank financing. The total value of the U.S. exports leveraged by these modest TFF inputs was $53 million.

As to the circumstances where this procedure is appropriate, we are limiting it for the time being to Egypt, where we have a very large program and the situation is unique. We would want more experience with the TFF there before considering formal programs elsewhere.

At the same time, AID has recently adopted a specific policy governing the use of its resources for mixed credit financing. This policy was developed in conjunction with the State Department and is consistent with overall U.S. trade policy and U.S. international obligations. Under this policy ESF funds in other countries can be used in specified limited circumstances as a defensive response to other mixed credit offers. These conditions include (1) the U.S. exporter must otherwise be the low responsive bidder but stands to lose the tender because of a mixed credit offer in support of a non-U.S. supplier and (2) the product to be financed must be for activities and/or projects that are developmentally sound.

Question 29. How might AID modify its programs or procedures to increase U.S. exports and jobs in the near term?

Answer. Given the current domestic economic situation, we recognize the importance of exploring, consistent with our primary objective of promoting economic development, new ways in which the U.S. assistance program might stimulate additional U.S. exports.

Recognizing the problems which U.S. exports have at times faced from subsidied export credits offered by other industrialized countries, AID has established a Trade Financing Facility in Egypt which aims at addressing the problems of potential

losses of U.S. export sales resulting from such mixed credits. This program provides resources that can be used to match mixed credit offers by other donors where (a) the U.S. exporter is otherwise the lowest responsive bidder but stands to lose the bid as a result of subsidized export financing and (b) the export product is for an activity or project which is developmentally sound. Likewise, AID has also adopted an overall policy on use of AID resources to support mixed credits. This policy was developed in conjunction with the State Department and is consistent with U.S. trade policy and U.S. international obligations. The policy permits the use of ESF funds, in specific circumstances, in support of U.S. exporters as a defensive response to mixed credit offers by others.

AID also has underway a study which explores such possibilities. Hopefully, this study will provide some useful suggestions which we can effectively and quickly implement in our program.

Question 30. Please supply the same figures on the trade and balance of payments effects of AID spending for Illinois and other states represented on the Committee as you offered to Senator Pell for Rhode Island.

Answer. The above-referred to information is retained in committee files.

Question 31. Please supply supporting tables and breakdowns to elaborate on your statement that two-thirds of U.S. aid funding returns via purchases of U.S. goods and services, and that each $1 billion of aid generates 60–70,000 U.S. jobs. Why is this figure so much higher than the 24,000 which Secretary Regan estimates from each $1 billion of U.S. exports?

Answer. Current AID estimates indicate that close to 70 percent of our total economic assistance, including Public Law 480, is used for the purchase of U.S. goods and services. This estimate is based on broad category expenditure information. Detailed accounting information is not available to provide a further breakdown or detailed tables. Examples of typical AID expenditure categories which do not lend themselves to a specific country or region breakdown include centrally funded research and technical assistance activities and contributions to international institutions. Based on available data and expenditure assumptions derived from institutional and historical information, it is estimated that approximately 67 percent of Development Assistance loans and grants have been used for the purchase of U.S. goods and services. For the ESF program, the corresponding figure is slightly above 50 percent. The Public Law 480 program by its very nature constitutes U.S. procurement.

The 60–70,000 jobs per $1 billion in U.S. exports figure derives from a study prepared by Data Resources Incorporated (DRI), a consulting firm specializing in data base development and econometric modeling. This study was published in a December DRI article. In that report DRI estimated that 60–70,000 jobs were created per $1 billion increase in real net U.S. exports in 1972 dollars, taking into account multiplier effects. On the other hand, the quoted figure of 24,000 jobs per $1 billion increase in U.S. exports represents the most recent (January 1983) Department of Commerce estimate. This Department of Commerce estimate is in terms of U.S. exports in current dollars in contrast to the DRI estimate which was in 1972 dollars. Even though these figures are based on different methodologies, if the DRI figure is deflated to account for the inflation between 1972 and 1982, these two estimates are relatively close.

Question 32. Could you give us some examples of ways in which AID's private sector initiatives have made uniquely valuable contributions to our development assistance efforts? What types of private sector initiatives do you expect to increase most extensively with the increased funds you have requested for Selected Development Activities?

Answer. In general, there is an increasing awareness within the agency that private sector mechanisms, as engines for growth, development and achievement of basic human need objectives have been neglected tools in our development assistance program. As a result of this, AID field missions are beginning to analyze potential projects from the perspective of whether or not there is a more cost effective, self-sustaining private enterprise mechanism for undertaking a proposed project activity, instead of traditional public sector delivery mechanisms which suffer from recurring cost problems. By utilizing private mechanisms, wherever possible and appropriate, we are able to further leverage our limited resources.

We have also begun to capitalize on and utilize to a greater extent resources available for development activities to us through the U.S. business community, a resource heretofore underutilized in our efforts.

There are also at least six specific areas in which this private sector initiative has begun to make a valuable contribution to our development assistance efforts. These are:

Policy dialogue focusing on improvement in the climate for business: Private businesses can provide considerable assistance in identifying and providing recommendations on removing constraints to business growth and development, thereby helping to promote general economic growth and development. Already we have undertaken such analyses in five countries. Others will follow.

Technology Transfers:—We have begun to experiment with private U.S. businesses, particularly in agribusiness, to encourage the commercialization and transfer to LDC businesses of appropriate technologies. Both the International Executive Service Corps (IESC) and the Joint Agricultural Consultative Corporation (JAC/C) are examples of PRE supported programs designed to promote such technology transfers.

Training.—Using PRE's experience as an example, AID is encouraging and assisting both management and vocational/technical training institutes that are financially supported by private businesses. These businesses also play an active role in determining appropriate curriculum to assure that the training meets their needs. PRE has assisted in the establishment of two privately supported training institutes (management related in Thailand and vocational/technical in Peru).

Capital Market Development.—We are making major efforts to increasingly utilize existing, and help capitalize new, types of financial institutions (e.g. venture capital, leasing, small business financing) to channel resources to small and medium business enterprises eligible for AID funding. PRE is supporting several institutions which provide financing and other services to these types of enterprises—e.g. a leasing company in Peru (the first one in that country), an insurance company in Jamaica (agribusiness financing is a new area for that institution), and commercial banks in Kenya and Thailand.

Investment Promotion.—The new initiative has resulted in assistance to governments in how to enhance their investment promotion efforts, particularly as it relates to small/medium businesses in AID target sectors. PRE has supported these efforts, an example of which is the Bureau's joint programs with OPIC to promote investment opportunities in the Caribbean.

As a result of the private enterprise initiative, these types of programs are becoming institutionalized as some of the types of programs utilized by the Agency in its overall development assistance efforts. AID/PRE intends to undertake additional innovative activities to assist the indigenous private sectors of LDC's in a manner consistent with the Foreign Assistance Act. These will include co-financing activities with United States and multilateral institutions.

Question 33. Is there a pattern to the types of countries willing to cooperate with expanded private sector initiatives? Does this type of program tend to be more popular with countries higher or lower on the income scale?

Answer. It is not possible to discern a pattern among those countries willing to cooperate with expanded private sector initiatives. The countries which have expressed interest in expanded private business involvement in economic development run the full range from those which are least developed to those in the middle income range.

Concurrently with the depressed world economy through 1981 and 1982, some developing countries began to re-examine their respective economic philosophies. Falling public revenues during a period of increasing foreign debt, and expanding and costly social service requirements, have caused such countries to question the cost effectiveness of heavy government involvement (including regulation and ownership of business enterprise) in their respective economies.

More and more developing country governments have realized that economic growth, higher incomes and more jobs result most rapidly and cost effectively from private business activities in an environment which provides the opportunity to compete in open markets. Numerous governments have begun to focus their attention on creating an attractive environment in which businesses can develop and grow, producing needed goods and services, while providing new employment opportunities and increased income with which to purchase the expanded output.

Question 34. Please advise what steps you have taken and backlog of requirements you have developed to justify such a rapid increase and expansion of TDP? Is the staff able and are procedures appropriate to use such an increase effectively and what standards and criteria are used for selecting activities to be supported? What multiple, in terms of U.S. exports, do you seek as a follow-on to a feasibility study?

Answer. The demand for TDP resources only halfway through the fiscal year exceeds $21 million. Of these, over $5 million have been requested for projects in Asia, $9 million for the LAC region, $2 million for the Middle East and $5 million for projects in Africa. An increase in TDP funds would facilitate meeting this demand thereby creating jobs in the United States and promoting U.S. exports.

The requested increase in the TDP budget will also enable TDP to compete more effectively against the efforts of foreign governments to capture development-related exports for their firms.

The specific steps TDP intends to take to effect the optimum allocation of its resources are as follows:

Broaden the scope of TDP grants to more effectively counter the foreign competition and to conduct a more complete feasibility study; presently, TDP only finances the preliminary steps of most feasibility studies; in so doing TDP runs the risk of our foreign competition winning the contract to conduct Phase II of a study after TDP has financed Phase I.

Place special technical advisors in key government ministries to provide early advice on procurement decisions.

Develop sector plans in order to target early specific project opportunities.

Expand efforts to identify commercial opportunities in the strategic minerals and metals area.

The current staff composition is such that a larger program could be accommodated without having to increase staff size, or work load beyond that which is already involved in screening projects requesting over $21 million in funding. The marginal increase in work load between screening projects and moving projects forward for approval is minimal. Even with the current funding level, TDP officers must determine whether TDP criteria would be met in approving all projects which are proposed.

The standards and criteria used for selecting activities to be supported are as follows:

Development Priority.—Projects must rank high on the list of development priorities of the host country and be of special importance in the country's development plan. Planning services must be requested or formally endorsed by the host government as facilitating a priority development project.

U.S. Export Potential.—Projects must involve (a) an opportunity for substantial sales of United States goods and services through direct contracts with United States supplies, joint venture or counter-trade investments by United States firms, and/or (b) the provision of technical services by United States Government agencies on a full payment basis by the host country.

Funding Availability.—There must be reasonable assurance that funding for project implementation will be available from host country foreign exchange earnings or external sources, not including United States aid programs. Additionally, follow-on procurement must be open to United States firms or agencies and not tied to procurement from non-United States sources.

Additionally, the country must be considered "friendly" to the United States. And, projects which facilitate United States access to natural resources are given special attention.

The multiple that TDP requires for export generation is 50 to 100 times the TDP expenditure. TDP staff ascertain that there is a reasonable likelihood of obtaining such a multiple based upon an analysis of U.S. competitiveness in regard to the equipment and/or services to be utilized in project implementation.

Question 35. Most developing countries are facing serious budgetary problems currently. I expect these could sharply reduce the ability of most aid recipients to use our aid where they have to meet local costs. Has AID assessed the extent to which the problem is likely to slow down absorption and to increase funding pipelines?

Answer. We have for sometime been concerned about the self help component and the recurrent cost implications of not only the United States but also other donor programs. As a result we have insisted that in the preparation of AID projects these factors be directly analyzed by the Mission. Further, we have repeatedly urged other donors to follow similar practices. In addition, we have sought to increase the coordination among the donors to avoid overlap and unnecessary burdens on the scarce human and financial capital of the developing countries which could result from a proliferation of projects or projects operating at cross purposes.

To date, although problems of continued host country support have arisen in a few cases, e.g., Liberia, as a result of severe budgetary constraints, we have found that most developing countries have continued to provide the necessary support for existing projects. We continue to follow this issue closely and seek to assure that our projects are designed in a manner consistent with the financing and administrative capacity of the country.

Question 36. Has AID considered any means of alleviating this problem? Can you provide the committee with ratios of local costs to U.S. AIDS in the main types of functional programs?

Answer. First of all, we have undertaken to assure that the self help and recurrent costs implications of our assistance efforts are consistent with the host country's capacity. In addition, in those specific cases where budgetary constraints are *limiting* the capacity of the government to provide the necessary support for AID projects, we have asked our field missions to carefully review their portfolio to identify possible approaches which could help address the problem and to discuss with the government and other donors the problems and alternatives.

Local cost and self help data is not readily available by functional categories. Existing AID policy does call for host countries to provide at least 25 percent of the total project costs. This requirement stems from the belief that it is important for the host country to participate financially in our assistance projects. By contributing to the project, the host country has an increased incentive to assure the effective implementation of the project. At the same time, it is recognized that the least developed countries face particularly severe development problems and their capacity to provide funding for development projects is often severely limited. As a result, the host country contribution can in specific circumstances be waived for these countries. With regard to AID funding of local costs of AID projects, AID does report each year to the DAC total local cost financing undertaken by AID. In 1981 the total local cost financed by AID totaled $162 million.

Question 37. For fiscal year 1982 and fiscal year 1983, Congress earmarked 16 percent of the population account for the U.N. Fund for Population Activities to assure U.S. contributions to this important and effective U.N. program are maintained at about $34 million. Without the earmarking, is there a risk that AID would reduce the UNFPA contribution for fiscal year 1984?

Answer. The Administration is proposing a contribution of $25 million to UNFPA in fiscal year 1984. the total fiscal year 1984 request from which the United States pays its contribution to UNFPA has been carefully constructed to reflect the objectives and priorities of the administration. In trying to make the total population assistance level consistent with current budgetary stringencies, and at the same time to meet the critical needs for bilateral and centrally-financed assistance, it was considered necessary to reduce the amount allocated to UNFPA.

The following considerations have guided The Administration's fiscal year 1984 contribution to UNFPA.

Increased emphasis on bilateral assistance.—In fiscal year 1984, an additional $3.7 million is planned for bilateral population assistance. Allowing for the proposed $1.2 million increase in overall population assistance, this will result in a $2.5 million decrease in the funds available for centrally financed programs from which the contribution to UNFPA is drawn.

Meeting critical needs for centrally financed assistance.—In fiscal year 1984 the budget provides for an additional $2.4 million for contraceptive development research. Support for private sector activities is increased by $2.6 million. The fiscal year 1984 budget includes a modest $1.3 million increase for several important centrally funded family planning programs which have been underfunded since fiscal year 1981.

AID priorities.—As we have urged, UNFPA support for family planning services is increasing substantially, but the proportion of their budget going to family planning is still lower than the proportion of AID's budget going to direct service related activities. At this time of budget stringency, we need to allocate our resources to reflect our increasing interest in private sector programs for the delivery of voluntary family planning services and contraceptive research. In fiscal year 1984 this can best be done by increased support to AID's own bilateral programs and centrally funded activities.

The UNFPA is one of the most important and effective U.N. agencies. With projects and programs in over 130 countries, it is the largest multilateral agency providing population assistance. The United States has traditionally provided about 25 percent of the Fund's resources. The fiscal year 1984 decrease in the U.S. contribution would bring the U.S. support down to under 20 percent. We have been emphasizing to other donors that the cut in the U.S. contribution does not imply a loss in confidence in UNFPA, and we are encouraging them to increase their contributions to UNFPA to compensate for the decline in U.S. support.

State Department's Responses to Additional Questions Submitted for the Record

Question 1. This Committee has consistently increased the Administration's requests for voluntary contributions to the specialized agencies of the United Nations.

With due regard for budgetary restraint, how can the Administration propose such sharp reductions in its fiscal year 1984 request for UNDP, UNICEF, and UNEP?

Is there a program evaluation of these agencies that finds fault with their work, or questions their value to the United States?

Given the clear intent of Congress (including the earmarks in the Continuing Resolution) that these programs be funded at higher levels than originally requested, why has the Administration come forward with a 50 percent reduction, in real terms, for these agency contributions?

Answer. The fiscal year 1984 request of $190 million for voluntary contributions to the United Nations and OAS is a $16.7 million increase over the Administration's fiscal year 1983 request, including a $13 million increase for UNDP and a $1 million increase for UNICEF.

Our request levels for these contributions does not reflect any dissatisfaction resulting from program evaluations of UNDP, UNICEF, and UNEP. We remain staunch supporters of them. Our belief is as firm as ever that the programs sponsored by these organizations serve important U.S. political, economic, and humanitarian interests in the developing world.

While below the fiscal year 1983 Continuing Resolution funding level, the fiscal year 1984 request should be sufficient to assure our continued interests and leadership in UNDP, UNICEF, and UNEP councils. The request level reflects our effort to strike a balance between the need for budgetary restraint and advancement of our interests in these multilateral fora.

Question 2. What is your Bureau's technical assessment of the impact of the proposed $20 million reduction for UNDP? Has any study been done to review UNDP's ability to absorb such a cut without sustaining a deleterious effect on its own ability to provide technical assistance?

What is the likely effect on other donors and their willingness to contribute to the UNDP? What has been the reaction of other donors with whom we have consulted on this matter?

What is UNDP's assessment of the effect of this reduction on its project commitments for fiscal 1984? Do we have specific information on projects and programs which might have to be cut by UNDP?

Answer. No formal study of the effects of the proposed fiscal year 1984 funding level for UNDP has been done. In arriving at our proposal, however, the Administration carefully considered its effects on the organization and U.S. interests with respect to it. In order to avoid release of our budgetary proposals before their presentation to Congress, that consideration had to be without the benefit of consultation with UNDP or other major donors. We therefore have no specific information on their reaction to this proposed level of support.

Over the past 2 years, as it has become increasingly apparent that UNDP will be unable to provide the over-optimistically projected levels of assistance which it had planned for the 1982–86 programming cycle, the level of the organization's planned expenditure has been reduced. The UNDP Administrator has most recently determined that program expenditures must be held to 55 percent of IPF levels. A U.S. contribution of $120 million for fiscal year 1984 will increase the difficulty of achieving even that lowered level of program delivery. Since many UNDP projects are not amenable to partial reduction, some may have to be dropped in their entirety.

The Administration request for a fiscal year 1984 contribution of $120 million to UNDP was formulated on the basis of the requested level for fiscal year 1983. Although we realized that this contribution would pose difficulties for UNDP, we judged that in the current economic situation of the United States and with other competing demands no higher contribution could be justified. We also concluded that a contribution of that size would be consistent with the furtherance of U.S. goals with regard to the organization and with the maintenance of UNDP's institutional viability.

We think it unlikely that other donors will be moved to reduce their support in response to our decrease. We expect them to understand that the U.S. action is an unavoidable response to difficult economic realities and to contribute as much to UNDP as their interests warrant and their circumstances permit.

Because it will be the recipient countries, with the advice of their UNDP Resident Representatives, which will determine how the reductions will be applied, we are unable to say which projects may be cut. However, the UNDP Governing Council has directed that expenditures not be allowed to exceed projected resources and that program reductions be distributed evenly among all country programs and intercountry activities.

Question 3. What is your view concerning the effectiveness of UNDP as the primary U.N. agency coordinating technical assistance throughout the U.N. system to

recipient nations? What steps would you advocate be taken to improve UNDP's capabilities?

Answer. Based on assessments of U.N. development efforts in the field and other evaluations, we believe that UNDP does a creditable job of acting as the central coordinating mechanism for grant technical assistance within the U.N. system, given its circumstances. However, UNDP has found it more difficult to coordinate U.N. technical assistance as the share of that assistance it funds has consistently declined over the past 15 years. In 1980, UNDP funded only half of the U.N.'s grant technical assistance. During this period there has been a significant increase in the funding of technical assistance through the extra-budgetary resources of U.N. organizations.

We intend to continue to channel our multilateral aid for technical assistance through UNDP in the hope that UNDP's central role can again be expanded.

We will encourage the designation of UNDP Resident Representatives as Resident Coordinators of U.N. Operational Activities for Development in those cases where it has not yet been done. We also intend to work in the governing bodies of the other organizations of the U.N. which are involved in providing technical assistance to convince them to defer to UNDP as the coordinator of such activities. The crucial factor in the maintenance of UNDP's position, however, will be how donors distribute their multilateral assistance funds.

Question 4. UNICEF recently issued its annual "State of the World's Children" report which has been highly acclaimed by the media, and numerous health experts around the world. In light of the needs which are documented in that report, and in light of the clear deterioration of services in many developing nations, especially in Africa, what is the justification for the proposed reduction in UNICEF funding?

Are there specific projects you would identify that UNICEF ought to curtail or eliminate to absorb this funding reduction?

Answer. We have not identified any projects which UNICEF ought to curtail or eliminate. The proposed level for the U.S. contribution to UNICEF seeks to strike the proper balance between the U.S. interest in supporting UNICEF programs benefiting needy children and mothers in developing countries and in restraining the size of the Federal budget in order to assure the recovery of the American economy and strength of our Nation.

Question 5. By all accounts, including United States, Israeli, and Lebanese Government officials, UNICEF played a key and effective role in providing emergency relief and in repairing damaged health, sanitation and other services immediately following last June's Israeli invasion of Lebanon. Do you agree with these assessments of UNICEF's contribution there? Do you believe that U.S. interests were served by UNICEF's role in Lebanon?

Answer. Based on the reports I have seen and my conversations with the President's Special Representative for Lebanon Relief, Peter McPherson, as well as other knowledgeable State Department and USAID officers, I agree that UNICEF played a key and effective role in providing emergency relief and in repairing damaged health, water, sanitation, and other facilities in Lebanon during and in the aftermath of the fighting last year.

In this connection, I would like to commend the personal courage, dedication, and resourcefulness of UNICEF's staff in Lebanon. They remained in place throughout the fighting, despite the danger, and provided emergency relief and vital services to the injured and needy.

One prime example, was the invaluable service UNICEF performed by acting as the sole supplier of potable water to West Beirut during much of the siege.

We in the Department of State and in USAID feel that U.S. interests, and those of the international community, were well served by the role which UNICEF played in Lebanon.

In response to two 1982 UNICEF appeals for a total of $39 million for emergency relief and rehabilitation in Lebanon, we in State and USAID decided to provide $13.1 million to UNCIEF (in addition to the U.S. contribution to UNICEF General Resources). UNICEF succeeded in raising a total of $40.9 million for Lebanon relief.

Question 6. This Committee has consistently earmarked $10 million for UNEP and its important environmental efforts around the world. What is your assessment of the effectiveness of this Agency? What is the programmatic justification for the reduction to $3 million contained in the Administration's fiscal year 1984 request?

Answer. Our assessment of UNEP's effectiveness conforms in large part to that agency's assessment of itself, namely, that UNEP's record in implementing its program is mixed. We believe UNEP has made good progress in some areas, especially in global monitoring, but that its progress in other areas, such as desertification has been limited. In our view, a large part of UNEP's difficulties can be attributed to

the fact that UNEP attempts to cover too many areas; some, such as natural disasters and disarmament, are only marginally environmental or are better dealt with by other agencies. We believe UNEP could be improved by greater program selectivity and by concentrating efforts of established program priorities.

The programmatic justification for the fiscal year 1984 request is that programs of importance to the United States—atmosphere monitoring, regional seas, hazardous substances—could still be funded at the reduced level. We note that UNEP is a non-operational organization, i.e. its programs are generally implemented by other agencies, and consequently, UNEP is in a better position to absorb short-term funding cuts without serious damage to its basic program than some other agencies.

Question 7. What, in your view, are the foreign policy implications of the United States providing a contribution to UNEP, an agency we helped establish after the Stockholm Conference 11 years ago, that is effectively lower than that provided by the Soviet Union?

Answer. The Soviet contribution, of about $3.75 million, is made in rubles. Because these funds cannot be readily expended, they have accumulated in the Environment Fund to well over $10 million. Consequently, a direct comparison between the size of the U.S. contribution and the Soviets' cannot be made, and we see no foreign policy implications in this regard.

Question 8. What progress can you cite in the fight to keep U.N. budget growth from escalating?

Answer. U.S. concern about the rampant growth of the U.N. budget gained attention during the recent U.N. General Assembly. We opposed resolutions requiring supplemental appropriations, even when we supported their substance. We also sought to amend substantive resolutions to say that all resulting additional financial implications must be absorbed within existing resource levels. The fact that we sought such amendments even for resolutions of substantive importance to U.S. policy interests demonstrated the seriousness of our concern about budget growth. The United States voted against the revised budget because the U.N. would not absorb all the costs of new programs which passed the 37th General Assembly. We were joined by 13 others in voting no, 12 abstaining—these 26 states accounting for 86 percent of the total contributions.

In other U.N. actions, Ambassador Kirkpatrick, with the United Kingdom and U.S.S.R. Ambassadors, urged the Secretary General to curtail growth. In addition, the President personally urged fiscal restraint and a halt to budget growth in his meeting with SYG Perez de Cuellar on January 14, 1983.

The World Health Organization's (WHO) draft 1984–85 budget provides for a .31 percent program decrease. This result, we believe, came from U.S. demarches to the Director General of the WHO as well as meetings between me and others with the Assistant Director General of the WHO specifically to discuss the U.S. posture toward budgetary growth in general and the WHO in particular.

Embassy Rome and the Mission undertook a demarche to the Director General of the Food and Agriculture Organization (FAO) to stress the U.S. budget position toward international organizations of zero net program growth and significant absorption of nondiscretionary cost increases. Last month, I met with FAO Deputy Director General West to discuss the preliminary 1984–85 budget. He suggested net real program growth would be less than 1 percent.

With regard to the International Labor Organization (ILO), the United States has prepared an in-depth, thorough programmatic and budgetary review of the Organization designed to achieve savings in the budget and, at the same time, strengthen the resources committed to programs which the U.S. believes are of greatest benefit to the membership. The 1984–85 ILO budget will reflect substantially less program growth than the last one.

The International Maritime Organization reduced its 1983 budget by 11 percent, and also returned $1 million in 1982 surplus funds to Member States.

In addition, we believe that the next budget of the World Meteorological Organization will show growth considerably less than the rate of inflation.

In the OAS, 243 positions were cut in conjunction with a general reorganization saving $11 million in the 1982–83 biennium. In further cost-saving measures, the OAS office in Europe was eliminated and the cost-of-living increase for OAS employees was limited to 4 percent. Following U.S. leadership, the OAS approved a budget in 1983 at the same level as 1982: there were no increases for inflation or program growth. (The 4 percent cost-of-living increase for salaries was absorbed within this same level.)

Question 9. What is the status of the question of Israeli certification in the IAEA, and what steps have been taken to comply with the provision of the Kasten-McClure amendment?

Answer. The certification as to Israel's status as a fully participating member of the IAEA required by the Kasten-McClure amendment was forwarded to the President of the Senate and the Speaker of the House of Representatives under cover of a letter from the Secretary of State dated March 1, 1983.

Question 10. Please explain the justification for a $4.5 million increase in the U.S. contribution to the IAEA as proposed by the administration in its supplemental and fiscal year 1984 requests.

Answer. In fiscal year 1982 our contribution to IAEA was $12.75 million. The Administration had requested $14.5 million for fiscal year 1983 to fund needed improvements in safeguards, safety and technical cooperation programs. This request was reduced by Congress to $10 million, and consequently the Administration is seeking $4.5 million in a supplemental request to enable us to fund safeguards at the needed level without having to cut further into the technical cooperation program.

The U.S. contribution to the IAEA is important in two areas: providing additional funds for the Agency's safeguards support program, and for the technical assistance program. Without the additional $4.5 million, we will have to cut back on one or the other. Cutting back on voluntary funds for technical assistance will lead inevitably to serious efforts to shift funding for the technical assistance program from a voluntary basis to the IAEA's assessed budget, a move we have strongly resisted in the past in order to prevent unwarranted growth in that program.

Alternatively, we simply cannot afford to reduce the level of effort planned for next year and expect to achieve the progress needed to satsify Congress, the Nuclear Regulatory Commission (which judges the adequacy of IAEA safeguards in connection with issuance of export licenses) and ourselves that we can rely on the IAEA safeguards system to do the job. Already some priority tasks under this program have been postponed for want of funds. Given the criticism by GAO of our efforts in the past under this program, it is vitally important that we demonstrate tangible progress as soon as possible. We believe this supplemental appropriation is necessary in order to fulfill the President's commitment to strengthen the IAEA and its safeguards program.

The request for fiscal year 1984 of $18.5 million also reflects the need to continue our program of safeguards improvement.

Question 11. Given the belated commencement of U.S. contributions to the first IFAD replenishment, what is the likelihood of a successful negotiation of the second replenishment, scheduled to begin later this year?

What is the U.S. position with respect to the second replenishment?

Answer. There is a general understanding among donors and IFAD management that a 1-year extension of the first replenishment (IFAD–I), to the end of 1984, will be necessary to give donors additional time to complete second replenishment (IFAD–II) negotiations. The present financial situation of several OPEC donors as well as the uncertainty over the U.S. contribution to IFAD–I will make the negotiations difficult.

The United States has agreed to participate in preliminary discussions leading to negotiation of a second replenishment. These discussions are expected to begin on June 2nd of this year. A decision on the conditions under which we would be prepared to participate in the second replenishment has not yet been made. We would expect, however, that conditions for our participation would include retention of the current OPEC/OECD funding ratio and a U.S. share no larger than the existing 17 percent. We will, of course, be consulting closely with Congress during the course of second replenishment negotiations.

Question 12. Despite its public commitment of $180 million to the IFAD replenishment over 2 years ago, the United States was unable to provide any contribution in that process until December of last year. Do you envision an accelerated schedule of U.S. contributions to catch-up for lost time?

What is the value of IFAD to the United States?

Has the lack of U.S. contributions been an issue between the United States and other donor nations?

Answer. Although we were unable to provide any contribution to IFAD's first replenishment until the appropriation of $24 million last December, the Administration did request $39 million in fiscal year 1982 and $65 million in fiscal year 1983. We are requesting $50 million for IFAD in fiscal year 1984. No supplemental request is planned at this time. The Administration believes the United States international commitments should be fulfilled and hopes that Congress will provide the requested appropriations for IFAD promptly.

IFAD engages the OPEC countries in constructive economic cooperation with the West. It is the only international organization in which OPEC and OECD countries

contribute and participate under conditions approaching equality. The OPEC donors, including Saudi Arabia, Kuwait, Nigeria and Venezuela, are providing multilateral development assistance which was not previously available. IFAD is funding projects which support our long-range development objectives. IFAD focuses exclusively on increasing food production by small and landless farmers in the poorest food-deficit countries. Projects financed by IFAD have kept to this mandate, stressing the need for agricultural extension services, removal of economic disincentives to production, and simple, proven, technological improvements. IFAD's program and projects have thus complemented our own bilateral development program.

Donors from both the OECD and OPEC have expressed deep concern and criticized the United States at IFAD's annual meeting last December. Some have made their remaining payments to the first replenishment contingent on fulfillment of the U.S. pledge. Some of these countries profess not to understand the distinction between our budgetary authorization and appropriation and characterize delays in our payment as a lack of support for IFAD and failure to keep a commitment. We have explained the budgetary and other factors which prevented an appropriation until last December. The payment, even though partial, has been perceived as an important first step in meeting our full commitment.

Question 13. The General Accounting Office recently issued a report that questions the planned deferrals of U.S. assessed contributions to the United Nations system. What is your reaction to the GAO criticism, and what steps have you taken to ensure that U.S. policy interests are not harmed by this deferred method of payments?

Answer. Our reaction in general to the GAO report on deferred U.S. payments to international organizations is that it overestimatess the impact of the U.S. deferral policy. The report indicates that displeasure with the U.S. deferral of payments was expressed by secretariat officials and some representatives of other governments during the GAO visits to the headquarters of some international organizations. However, I am impressed that this issue was raised only once or twice during my own consultations with representatives of some 58 other governments, despite the fact that throughout my consultations I have emphasized U.S. concern for restricting the growth of international organization assessed budgets. Furthermore, the report itself makes the point that the policy appears to have had no effect on the programs of the twelve affected international organizations.

We do not take issue with the title of the report, "Delaying U.S. Payments to International Organizations May Not Be the Best Means to Promote Budget Restraint." Indeed, the deferral policy was not intended to be the best means to promote budget restraint. However, we do believe it has provided one very tangible means for indicating U.S. displeasure with the past growth rates of international organization budgets. Although it is too early to be sure, we are encouraged by what we know about the draft 1984-85 budgets of some of the major international organizations. In particulalr, we note that the draft 1984-85 budget for the World Health Organization provides for a .31 percent decrease in program growth compared to 1982-83. While we remain dissatisfied with the draft 1984-85 budget for the International Labor Organization, the fact remains that its projected increase is much reduced compared to prior years. Draft budgets for the Food and Agriculture Organization and the United Nations have not yet been issued, but we have reason to believe increases projected for them also will not be as great as in previous years. This improved budgetary situation cannot be ascribed entirely to the U.S. deferral policy, but we believe it has helped to demonstrate clearly the possible consequences of ignoring the seriousness of U.S. budgetary concerns.

The report notes that the deferral policy has reduced the U.S. budget by over $400 million. In these difficult economic times, savings of such magnitude are of major significance. The report observes that "the budget reduction can only be considered a savings if the present deferral payment policy continues indefinitely." Of course, it is Administration policy to continue this policy indefinitely.

Finally, we are pleased the report notes that due to the deferral policy "the possibility of continuing resolutions at the level of prior year appropriations makes the risks of arrears greater." We are acutely sensitive to this possible detrimental effect for U.S. policy interests resulting from the deferral policy. We hope the Congress will bear this serious problem in mind when future continuing resolutions are under considerations.

MS. SMITH'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

Question 1. What is your assessment of AID's implementation of the Biden-Pell amendment?

Answer. We believe strongly in the importance of the Biden-Pell legislation; it recognized the urgent need to inform the U.S. public about issues relating to world hunger, and also the role of private and voluntary organizations in such efforts. The increase in Biden-Pell money for FY 1984 is appreciated in the PVO community.

We believe that AID has responded effectively to this congressional mandate and wish to applaud AID's handling of the first round of "Biden-Pell grants." Although we represent agencies that both received and failed to receive grants, our perception is that the grantee selection process was fair and equitable. We especially appreciate and respect that this was so, knowing of the inevitable pressures from one side or another to propagate a particular philosophy of development or development education. In order that this program be effective, and continue to receive support from the PVO community, we feel it is critical to continue this even-handed approach, and ensure that a major portion of the money will be spent on small grants to PVOs, as in the past.

Question 2. Congress has mandated that at least 12 percent of AID's program funds must be channeled through PVOs and that a target of 16 percent ought to be met by the end of the current fiscal year. What are your views on this provision of the law? Would you support an adjustment of these percentages up or down?

Answer. We view this legislative mandate as positive because we believe that in many circumstances private agencies can be effective where governments cannot. For fiscal year 1984, the Administration has requested an allocation of $182.4 million for the Section 106 account. Funding for PVOs will only be 13.1 percent of the development assistance program in 1984. Although this percentage is within the legislative mandate, we do not feel that it has increased at a proportional rate with the Administration's encouragement of the private voluntary organizations. Hence, we would support an adjustment of these percentages closer to the target of 16 percent.

Question 3. What are your views concerning AID's recently published PVO Policy Paper?

Answer. Although we appreciate AID's effort to articulate for the first time under a single cover the ground-rules that will govern the current Administration's approach to U.S. PVOs, we have several concerns regarding the Policy Paper. Included are the following:

The paper reflects that AID is moving to assure that the activities of U.S. PVOs in each country which receive AID funds show greater integration into a given country's development strategy and, for the most part, into AID's own development priorities there as well. The emphasis to move further in the direction of decisions made on a mission or regional level may not be as supportive to the privateness of the PVOs, as the centrally funded matching grants.

The policy seems to have difficulty preserving the concept of partnership which it sets out with such great sensitivity. For example, AID claims that, "The PVOs relationship with AID should not result in a loss of (its) private and independent character since, without independence, the fundamental values associated with AID's working with PVOs are called into question." Yet, the operational guidelines for matching grants and OPGs threaten to make PVOs extensions of AID and its country designs. The uniqueness and specialness of PVOs which AID professes as a matter of policy to wish to preserve is likely to be eroded, with PVO activities becoming more indistinguishable from AID's other activities.

There needs to be a data base provided to understand how dedicated AID is to each of the categories of PVOs described. For example, there is considerable difference between the privateness and voluntary aspect of constituency-based "traditional Voluntary Organizations" and "Non-Profit Consulting Firms." How does AID see each category in its allocation of resources and percentage of privateness requirements?

The Policy still does not encourage a long-term partnership with PVOs that would give the PVOs Board of Directors confidence that AID funds will continue and not be withdrawn. More PVOs would likely enter into partnership with AID if this principle could be adopted.

MR. MINEAR'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

Question 1. Redress the imbalance between military and economic assistance.

Answer. As noted in our written testimony, the foreign aid program has become increasingly imbalanced in recent years. In fiscal year 1983 (excluding the supple-

mental), the ratio of development assistance (including humanitarian, refugee, and food aid) to security assistance (ESF and military aid) was 1.46:1 ($5.337 billion as against $7.809 billion). The fiscal year 1984 request, if granted, would move the ratio to 1.61:1.

We recommend that the overall balance be redressed in part by significant shifts in the balance region by region. For example, our recommendation for Africa would be to hold military aid and ESF to fiscal year 1983 levels (a saving of $114.9 million and $143 million, respectively), increasing development assistance amounts above the fiscal year 1984 request level by $180.03 million. This would mean net reductions in foreign aid to Africa of $77.87 million below the administration's request (including $2.8 million in off-budget FMS loan guarantees).

Similarly, our recommendation for Central America and the Caribbean would be to hold military aid to fiscal year 1983 levels (a saving of $110 million—$13.2 million in off-budget loan guarantees) to eliminate all aid other than humanitarian assistance to Guatemala (a saving of $53 million) and to condition ESF aid to El Salvador on negotiating an end to the civil strife ($85 million), and to transfer 25 percent of all remaining ESF to development activities (transfer of $59.5 million). This would mean for foreign aid to the region net reductions in security assistance of $314.0 million, net development assistance add-ons of $155.3 million, and net savings below the fiscal year 1984 request level of $158.7 million (including $13.2 million in off-budget military aid savings).

We have as well some detailed recommendations for where the development assistance add-ons should be applied in each instance. In the case of Africa, we recommend that $52 million be used to restore to fiscal year 1981 or fiscal year 1982 levels the funds cut from a number of the poorest countries (e.g., Tanzania, Mali, and Benin). We also recommend add-ons totaling $15 million for countries experiencing special hardships, whether in the area of weather and food production (Mali, Cape Verde, Upper Volta, Zambia, and Mauretania) or of unexpected influxes of refugees (Benin, Ghana, and Togo). We would also recommend that $113 million be applied to non-project development assistance in certain key sectors (e.g., health and agriculture).

In the case of Central America and the Caribbean, we would urge additional funds for the Inter-American Foundation ($7.3 million above the fiscal year 1984 request level), the U.N. High Commissioner for Refugees ($13 million), and for various regional and multilateral agencies such as the Inter-American Development Bank's Fund for Special Operations ($50 million) and Small Projects Program ($15 million), the Caribbean Development Bank ($45 million), and the Central American Bank for Economic Integration ($25 million).

Shifts along the lines we are recommending for Africa and Central America and the Caribbean would also be desirable for the Asian region as well. Moreover, we would urge that the Congress shift sums in ESF requested for many countries to development assistance in instances where the projects themselves have a more long-term, basic human needs focus. This would address the distressing tendency of the administration to program such funds under ESF rather than development accounts.

We also would offer a number of recommendations in the area of military assistance which have a bearing on improving the balance between military and development assistance.

First, we believe that foreign military sales loan guarantees should be treated as on-budget items. The Federal Financing Bank borrows in private capital markets in order to finance military sales loans to developing countries. These loans are guaranteed by a Defense Department Guaranty Reserve Fund which since 1980 has operated as a revolving fund not requiring budgetary appropriations. In the past 3 years the level of FMS loans has increased dramatically while repayments to the Reserve Fund have not kept pace with payments on defaulted and rescheduled loans. Consequently, these new loans, which have received relatively less congressional scrutiny than other forms of military aid, may require future appropriations to cover possible defaults and reschedulings.

While placing FMS loan guarantees on-budget results in a worsened balance with development assistance in the first instance, a true accounting of the costs of military assistance should in the long run be helpful in producing restraint on the military aid side.

Second, we would favor deletion of the Antiterrorism Assistance Program proposed by the administration, an item which would save $5 million.

Taken together, these various steps would move the foreign aid program significantly in the direction of the better balance we recommend.

Question 2. The AID private sector initiative.

Answer. We are still in the process of making an assessment of the administration's private sector initiative. This includes study of the Congressional Presentation, review of selected Country Development Strategy Statements (CDSSs), and discussion with AID officials.

At this early point in our work, we are disturbed by the preempting of scarce AID resources for private sector activities. The health account is being cut by almost $33 million to free-up funds. The Private Enterprise Initiative is being expanded from $16.7 million to $30 million and a new Private Sector Revolving Fund is being proposed, costing $20 million.

Some of the concerns which inform our review of AID's proposal suggested in the answer to the following question.

Question 3. Private enterprise projects and basic human needs.

Answer. In our view, private enterprise projects are not necessarily incompatible with basic human needs mandates of existing law—but neither are they necessarily compatible. We believe that there is a role for private enterprise in Third World development, although that role varies from country to country and sector to sector.

The historical record, which is not particularly reassuring on the general proposition that external assistance to the private sector can make a positive contribution to basic human needs, suggests that a number of factors have a bearing on how successful are the outcomes vis-a-vis the poor. They include the following:

a. What size entrepreneurs and enterprises are to be aided? Generally speaking, the smaller the entrepreneur, the more beneficial the profit to the poor. Yet frequently aid projects, either are not geared toward small-scale entrepreneurs, or if they are, do not reach them.

AID's Project Impact Evaluation No. 40, Assisting Small Business in Francophone Africa, reviews the results of AID funding over a period of years to the Entente Fund African Enterprises Program. The project failed in its objective of aiding indigenous small- and medium-sized enterprises because the sizes were not carefully defined in advance and "a significant volume of loan funds (went) to 'large' firms." Few commited to basic human needs development would quarrel with the objective of creating a "modern African entrepreneurial class," provided the scale of entrepreneurs were appropriately small.

b. What type of entrepreneurial activities are to be aided? Certain kinds of goods and services are more essential than others to the long-term development of Third World countries. There is evidence that developing country private sector activity is often geared toward urban consumer needs or production of luxury goods. The appropriateness of assisting this kind of activity is highly questionable in countries where 75 percent of the population is rural poor.

c. Are small farmers included among the groups to be assisted? Small farmers are private sector entrepreneurs par excellence, and numerous as well, yet AID's private enterprise thinking places a heavy emphasis on larger scale farming and on non-rural activities generally.

The FY 1983 Congressional Presentation, for example, specifically excluded small farmers from the private sector initiative. The FY 1984 Congressional Presentation at key points lacks adequate detail to allow a conclusion as to whether in a given instance, support for agro-industries means vertical integration of the food system on the one hand or small processing and marketing operations on the other.

d. What kind of technology is being transferred? Private enterprise projects, like all aid activities, are a mechanism for transferring technology. The issue is thus not whether or not to transfer technology, but what kind of technology is being transferred? Is it appropriate to situations in which labor is in abundance? Is it sustainable given the human and financial constraints of many Third World countries, or will it mortgage a country's technological or financial future?

e. What is the attitude and role of the host government? Are its policies adequately attuned to equity considerations and its political will sufficiently strong so as to assure that external assistance serves its own development strategies? If the government's priorities run in different directions, will the external resources in their own right be able to benefit the poor?

A related concern has to do with the extent to which the private sector initiative and AID's approach to policy dialogue seeks to help Third World governments advance and implement their own development strategies, and the extent to which it seeks to impose a free-market, minimalist government model upon them. There is no doubt that in many Third World countries, governments are excessively involved in economic transactions which would be better served by the private sector. However, people in all nations should have the right to make their own decisions about where the line between public and private sectors is to be drawn and to revise these decisions through their own political systems. The poorest people in developing

countries will be least well served by an emphasis on increased private sector activism in an economic environment where governmental provision of basic services is essential.

f. What is the intended role of the U.S. private sector? There is some confusion as to whether the emphasis in the private sector initiative is on the indigenous private sector or the U.S. private sector. There is no reason why emphasis on the U.S. private sector could not, given the necessary commitments by a Third World government, benefit the poor in that country. On the other hand, procurement of goods and services in the United States—which is good for U.S. business interests—makes no particular contribution toward meeting equity concerns in developing countries.

In sum, while there is not necessarily a contradiction between private enterprise activities and basic human needs development, the extent to which such activities aid the poor will depend on many factors such as the scale and type of the enterprises, the nature of the technology involved, and the attitudes of the Third World governments. We therefore believe that the House Foreign Affairs Committee adopted a practical and useful approach when it specified, in its report on the FY 1981 authorizing legislation, that it expected the activities in the private enterprise initiative to be "fully compatible with the New Directions as authorized in Sections 102-106 of the Foreign Assistance Act." A similar affirmation by the Senate Foreign Relations Committee, in statutory or report language, would be appropriate.

Question 4. Recommend changes in law and procedure to make more ESF resources available for developmental purposes.

Answer. We have stated in our testimony that while the Administration increasingly treats development assistance and ESF interchangeably, we believe that there are significant differences which need to be preserved between the two kinds of aid. We have also called attention to the disproportionately modest attention given to ESF in AID discussions. Only a few pages in the main and regional volumes of the Congressional Presentation and in the Administrator's testimony are devoted to ESF, just as in the foreign assistance statutes themselves far greater attention is given to development assistance than to ESF. We therefore recommend:

a. More detailed discussion in AID's Congressional Presentation of ESF programs—their objectives, their allocations among countries, their implementation, their effectiveness.

b. More careful monitoring by the Congress of ESF programs. This should include both more on-site visits by Members of Congress and Committee staff and more detailed study by the General Accounting Office.

c. More clarity about the considerations leading the administration to request ESF rather than development assistance for certain countries and projects, and a more clearly stated statutory congressional preference for development assistance.

d. Exploration of the desirability of a legislative ceiling on the number of countries which in any given year might receive ESF, and/or on the maximum proportion of ESF relative to development assistance in the foreign aid program as a whole. Other ways of establishing or protecting the balance within the program may also be worth pursuing.

[Whereupon, at 1:30 p.m., the committee adjourned, subject to call of the Chair.]

APPENDIX

PREPARED STATEMENT OF THE COMMITTEE OF RETURNED PEACE CORPS VOLUNTEERS

Mr. Chairman, members of the committee; we appreciate the opportunity to appear before this committee on the Peace Corps budget for fiscal year 1984. Our committee was formed by two organizations of returned Peace Corps Volunteers, the Returned Peace Corps Volunteers of The Washington, D.C. area and the National Council of Returned Volunteers, to express the concern we former volunteers feel over the continuing decline of the Peace Corps reflected both in the program's funding and in the number of volunteers who are able to serve in the Peace Corps.

This is the first time either organization has taken a position on the Peace Corps budget. We are here today because the Director of the Peace Corps proposes for fiscal year 1984 yet another cut in the budget. We think the time has come for the Congress to step in; to reverse this declining trend and to expand the budget in order to reassert this nation's commitment to the Peace Corps' role.

Specifically, the Congress should set for the Peace Corps a goal of 10,000 volunteers to be achieved as soon as practicable and, as a first step toward that goal for fiscal year 1984, require a 25 percent increase in new volunteers, from 2,500 to 3,125, and increase the Peace Corps appropriation from the $108.5 million requested to $123 million.

The Peace Corps budget, measured in constant dollars, has declined steadily over the past 15 years and is now almost a third of its 1966 size. (Table A) The organization's visibility has so declined that people continually ask us, "Is there still a Peace Corps?"

Yes, there is still a Peace Corps. You can find it at page 5-20 of the President's budget, where it ranks last among all International Relations programs. Among Foreign Economic Assistance programs, the Peace Corps comes in some $40 million behind "Other". (Table F) Given this treatment, people can be excused for not knowing the Agency still exists. Yet, there is surely something peculiar about this state of things. Few U.S. Government programs that worked so well have been cut so drastically. We must ask why cuts of this size have been imposed on the Peace Corps.

Has this program been a failure relative to our Government's other efforts?

There are 90,000 former volunteers and millions of people in Third World countries who would say it has not. Rather, the unique people-to-people approach of the Peace Corps has made friends for the United States and spread an understanding of our culture that no amount of foreign aid could have achieved. In nation after nation, Peace Corps volunteers are the first Americans to be invited in, and, in times of international stress, the last to be asked to leave. Peace Corps volunteers have made thousands of small but significant contributions to nations throughout the world. There are no monuments to the Peace Corps. Peace Corps's volunteers do not build great factories and huge dams. But we have, in hundreds of thousands of places, left traces of having been there.

What we as former Peace Corps volunteers have to say about Peace Corps is that it works. It is truly a person-to-person experience. Peace Corps volunteers touch people profoundly, moving right into the community at the level of the local population and, in most cases, learning the language, eating the food, socializing with their neighbors, and accepting the life. We know that Peace Corps works when we meet Nigerians, Koreans, Salvadorans and other foreigners in this country after we return from Peace Corps service, and after we mention that we've been Peace Corps volunteers, the person invariable smiles, full of fond memories of home, and says "Do you know so-and-so, who was in my country in 1966 or 1975, etc.?" It always amazes us that the names of Peace Corps volunteers are so ofter recalled, even after 10 or 15 years. Not only are their names recalled, but also their work, their accomplishments. their enthusiasm—even their familiar sayings and mannerisms are quoted and mimicked years after they are gone.

And we, for our part, have been privileged to bring home with us a knowledge and a fond understanding of nations largely unknown in the United States. As this process continues, our country is leavened and enriched by thus touching other cultures that share our planet.

The Peace Corps is probably America's most cost-effective tool in forging greater understanding between our country and the developing nations of the world.

Has the Peace Corp become a political pariah?

We don't think so. We believe the great majority of American citizens feel strongly that the Peace Corps embodies fundamental characteristics of this country—neighborliness, constructive assistance, a spirit of volunteerism—and that the Peace Corps, both as a group and through individual volunteers, represents the American people in the way they would most like to be represented.

A 1973 study of American attitudes toward global poverty and development revealed that 88 percent of those surveyed saw the Peace Corps as the single most effective organization helping Third World people (Paul A. Laudicinia, "World Poverty and Development: A Survey of American Opinion," Washington, D.C.: Overseas Development Council, October 1973). President Reagan expressed this same attitude when he stated, in March of 1981, "Volunteers have fought, and ofter conquered, illiteracy, hunger, poverty and illness in nearly ninety countries. Their efforts, dedicated to world peace through international good will, have done much to replace fear and mistrust with mutual understanding."

Is there no longer a need for volunteers?

We don't believe that and the nations the Peace Corpos serves don't believe it either. There continue to be many more requests for volunteers than there are Volunteers to fill them.

In light of Third World conditions requiring, if anything, greater assistance in the 1980's, it is imperative that more, not fewer, volunteers be sent abroad in the future. As Richard Celeste, former Peace Corps Director, stated in early 1981, "In a world in which more people are hungry, more people diseased, more people illhoused than when John Kennedy called for the creation of the Peace Corps, the need is more urgent than ever."

Are there no more volunteers to be found?

We believe—and we know many Members of Congress share our belief—that the spirit that generated and maintained the Peace Corps 15 years ago is still alive in America today. But there is so little publicity about Peace Corps in the United States that many Americans don't know it is still functioning.

But the supply of volunteers is still there: Even with its present, very limited recruiting, the Peace Corps attracts far more prospective volunteers than its can accept. And the demand for volunteers is also still there: In many countries, especially in Africa, more than half the requests for volunteers are turned down by country directors before the requests are sent to the United States, because Peace Corps staff in-country knows that there is no budget to support so many requests.

The only reason the Peace Corps has declined year after year is a series of political decisions to deemphasize and cut down this successful program. We believe these decisions were wrong in the past and are wrong today. The Congress must now take control of the Peace Corps budget and mandate a program this nation can be proud of.

EXPANSION OF THE PEACE CORPS VOLUNTEER PROGRAM

A Peace Corps of less than 10,000 is a national embarrassment. The 4,542 Peace Corps volunteers (PCVs) who served abroad last year is less than a third of the 15,556 volunteers who served in 1966, the high point of support of the program. (Table B) Our current volunteer strength is not significantly larger than the 4,300 volunteers that West Germany, with a population one-third of ours, sent abroad. What make this number particularly embarrassing is that their German Development Service program was originally framed on the Peace Corps model. After following our lead, West Germany maintained its commitment while we let ours lapse.

Despite the Peace Corps' inability to meet the demand for volunteers, current plans call for a 15-percent reduction in new volunteers slated to start service in fiscal year 1984. In 1983, it is expected that 2,950 new Peace Corps volunteers will join those already serving.[1] During 1984, however, the Peace Corps expects to send

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[1] All data are taken from the Peace Corps fiscal year 1984 budget proposal submitted to the Congress on Feb. 9, 1983, by letter of Mrs. Ruppe, Director of the Peace Corps, to the Honorable Clarence D. Long.

only 2,502 new volunteers into the field, a 15 percent decrease. Thus, according to fiscal year 1984 budget projections, the 5,001 PVCs who will be abroad during 1984 will decrease in the following years. (Table C)

The decline in the number of PCVs abroad runs absolutely counter to the urgent problems facing developing nations, the unique and cost-effective approach taken by the Peace Corps in addressing the problems of development, and the compelling need for the United States Government to demonstrate visibly its commitment to improving relations with the Third World and to promoting cultural and economic ties with developing nations.

The worldwide recession, the international debt crisis, continuing drought, the severe food and health problems confronting the poorest of the developing nations, increasing political tensions in the Third World, and more intense ideological competition between East and West in establishing models of development—each of these factors calls for expansion, rather than contraction, of the Peace Corps program. With the emphasis during the past few years on the defense buildup and the growing military dimension of U.S. foreign policy, a greater role for the Peace Corps would help bring our foreign policy into better balance and demonstrate to the developing world a genuine commitment to the establishment of peaceful and stable relationships. With a more visible U.S. commitment to the Peace Corps program, the number of requests for volunteers would increase substantially and the number of applicants would also rise.

Expansion of the Peace Corps program should include the effective use of generalists as well as specialists. Liberal arts college graduates who enter the Peace Corps as generalists have demonstrated that they can be effective in many development assistance roles. Collaboration with international and bilateral government assistance programs would provide more efficient professional support for the professional support for the developmental activities of volunteer generalists. Moreover, these volunteer generalists bring back to the United States an enriched experience that helps shape their future careers in ways which promote international, commercial and cultural relationships with the countries in which they served and other developing nations. Volunteer generalists meet an essential need of developing countries as well as the United States, and their participation in the program should be encouraged and expanded.

A national commitment to a Peace Corps of 10,000 volunteers is a reasonable near-term goal, but it probably cannot be accomplished in fiscal year 1984.[2] An increase in the number of new volunteers by about 25 percent from 2,502 to 3,128 for fiscal year 1984 would represent a fair beginning. It would establish an increasing commitment to constructive and peaceful relationships with the Third World and to developmental assistance that reaches to the poorest of the poor.

This modest 25-percent increase in volunteer strength could easily be accomplished within a budget increase of only $10 million more than the Administration's request.[3] An increase in the number of volunteers does not require a commensurate increase in the budget largely because additional staff and facilities would not be required in many countries abroad or in the United States. A reduction in the ratio of staff support to volunteers in the field, use of economies of scale in the training of volunteers, and more flexibility in setting the term of volunteers all would enable the Peace Corps to expand the number of volunteers in the field at a lower average cost per volunteer.

THE CONTINUING DECLINE IN THE READJUSTMENT ALLOWANCE PAID TO RETURNING VOLUNTEERS SHOULD BE HALTED

Every Peace Corps volunteer receives a readjustment allowance at the termination of his or her service. This allowance has been increased twice since 1961 and is now pegged at $175 for each month of service. The readjustment allowance was never intended to pay the volunteer for his or her years of service and, traditional-

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[2] In 1963–64 the Peace Corps grew from 6,600 volunteers, not much above its present size, to over 10,000. (Table B)

[3] In gross terms, the calculation is as follows: The proposed budget of $108.5 million and a total of 5,001 volunteers translates to a fully allocated cost per volunteer, including all capital and overhead items of just under $21,700. Prorating this amount across 626 new volunteers would indicate an increase of $13.5 million. Since, however, the variable costs per volunteer are low (e.g., all direct payments to volunteers such as settling in allowances, living expenses, vacation pay and readjustment allowances amount to less than a third of the proposed budget, Peace Corps fiscal year 1984 budget at 12–13) there is every reason to believe that the marginal cost of 626 added volunteers would be well below $13.5 million and that an increase of $10 million would easily accommodate this number.

ly, it has properly been meager.[4] The intent was to provide the returning volunteer with a modest sum to enable him or her to readjust to American life.

There are, we believe, compelling reasons for adjusting upward the present level of this allowance. The first is simple equity: The readjustment allowances was initially set in 1961 at $75 largely because $75 was, at that time, the monthly pay [5] of an E–1 in the Army, a recruit in basic training. A private E–1's pay has kept pace with inflation and is now set at $263, 50 percent higher than a volunteer's readjustment allowance.

The readjustment allowance has gone down in constant dollars. The present readjustment allowance of $175 is worth $54.25 in 1961 dollars, a 30 percent drop in real terms from the original $75 level. Meanwhile, the items on which readjustment allowances are usually spent—rent, graduate school tuition, etc.—have been going up at least as fast as the overall rate of inflation and in many cases even faster.

The steady drop in the readjustment allowance is the result of a series of decisions over the years by Peace Corps management to give volunteers' allowances a relatively low priority in the budget process. To a very large extent we agree with these decisions—certainly, we agree that fielding more volunteers is a higher priority than increasing readjustment allowances—but at some point this decline must stop. We believe it would be fairer simply to index the readjustment allowance to some reasonable standard, such as the pay of an Army E–1, so that this issue can remain a given, outside the Peace Corps' budget process just as Peace Corps staff salary levels are immune from the budget process. At a minimum, the Congress should return the readjustment allowance for returning volunteers to parity with a private E–1's base pay and keep it there.

There is another consideration, aside from the question of equity, that argues for an end to the steady decreases in the readjustment allowance. Considerable concern has been expressed over the years by volunteers, staff, and Members of Congress about the human composition of the Peace Corps. For 20 years, Peace Corps Directors have come before the Congress and laid out new strategies for recuiting more members of disadvantaged groups. Congress, for its part, has applauded such initiatives and, from time to time, has even enacted some of them into law. Yet, after 20 years of these efforts, a group of Peace Corps trainees in 1983 is at least as likely to be drawn from the middle-class as the same group would have been in 1963. Part of the problem is that persons from disadvantaged backgrounds must make a disproportionate sacrifice to serve in the Peace Corps. Unlike most of their colleagues, they will not usually be returning to scholarships, fellowships or families who can afford to help out.

The reform we propose would cost approximately $5.5 million in fiscal year 1984. Here again, the amounts involved are quite small in relation to the proposed budget and miniscule in comparison with the other budgets the Congress deals with. But it represents a national commitment to a revitalized Peace Corps, and there is nothing the Congress could do that would bring greater long-term benefits to this country's relations with the nations of the Third World than to express such a commitment.

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[4] $4,200 for 2 years' work would come to $1 an hour assuming a 40-hour week, and there aren't very many 40-hour weeks for volunteers.

[5] "Pay" is used here in its narrowest sense. Unlike recruits in the military, Peace Corps volunteers are not eligible for veterans' benefits; nor do they receive an automatic raise after the first few months' of service.

Table A (Page 1)

PEACE CORPS BUDGET SINCE 1962
Adjusted by CPI-U 1967=100

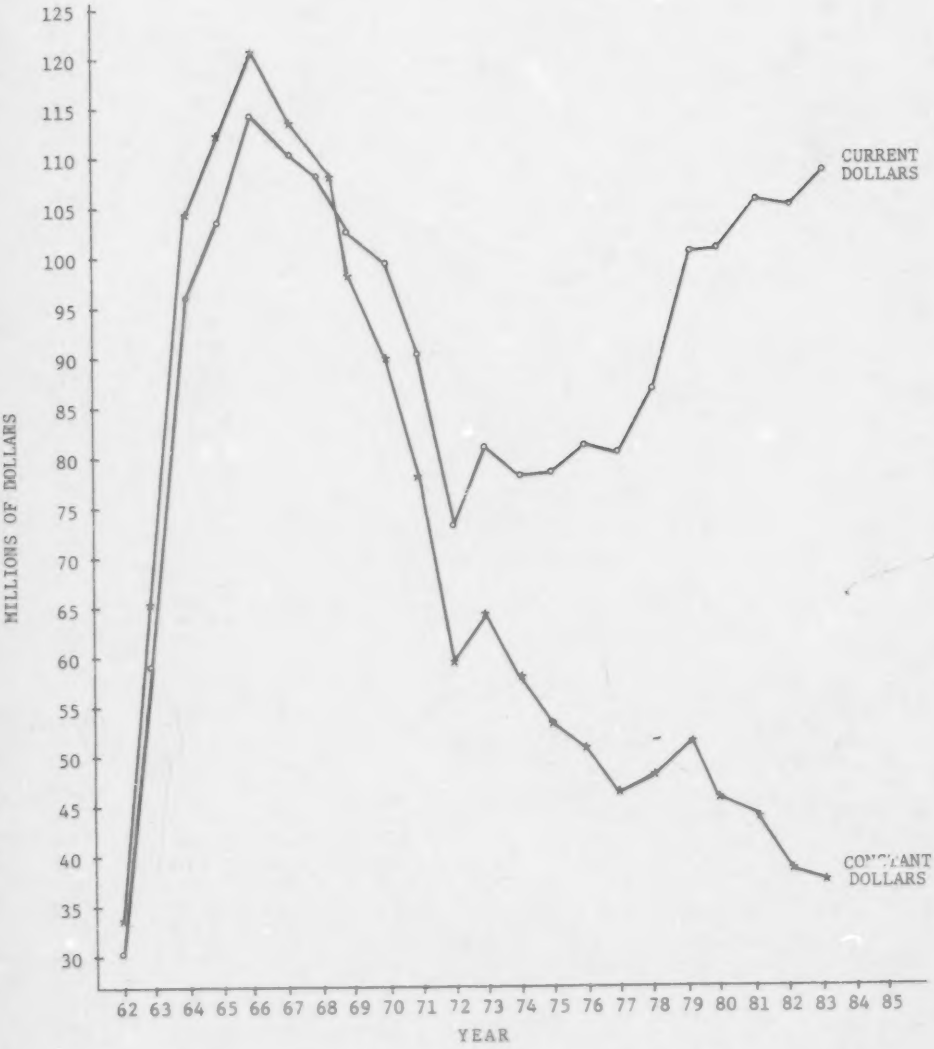


TABLE A.—PEACE CORPS BUDGET SINCE 1962

[Adjusted by CPI–U 1967 + 100; amounts in thousands of dollars]

	Current dollars	Constant dollars
Fiscal year:		
1962	30,000	33,482
1963	59,000	65,121
1964	95,964	104,650
1965	104,000	112,056
1966	114,000	120,635
1967	110,000	113,169
1968	107,500	107,500
1969	102,000	97,889
1970	98,450	89,663
1971	90,000	77,386
1972	72,500	59,769
1973	81,000	64,645
1974	77,000	57,851
1975	77,687	52,598
1976	81,266	50,413
1977	80,000	46,893
1978	86,234	47,512
1979	99,179	50,757
1980	99,924	45,963
1981	105,531	42,760
1982	105,000	38,546
1983	109,000	37,703

TABLE B.—VOLUNTEER AND TRAINEES BY REGION

	Africa	East Asia and Pacific	Latin America	North Africa/ Near East/ South Asia	Total
Fiscal year:					
June 30, 1961	44	.....	80	.....	124
June 30, 1962	779	819	823	359	2,816
June 30, 1963	2,230	1,372	2,194	850	6,646
June 30, 1964	3,522	1,070	3,986	1,500	10,078
June 30, 1965	4,146	1,632	4,904	2,566	12,248
June 30, 1966	4,640	2,360	5,452	3,158	15,556
June 30, 1967	4,110	2,499	5,038	3,321	14,968
June 30, 1968	3,738	3,142	4,486	2,457	13,823
June 30, 1969	3,386	2,290	3,362	2,193	12,131
June 30, 1970	2,775	2,027	3,096	1,615	9,513
June 30, 1971	2,722	.....	2,401	1,943	7,066
June 30, 1972	2,238	.....	1,819	2,837	6,894
June 30, 1973	2,483	.....	2,199	2,672	7,341
June 30, 1974	2,659	.....	2,613	2,772	8,044
June 30, 1975	2,509	.....	1,997	2,509	7,015
June 30, 1976	2,181	.....	1,717	2,060	5,958
June 30, 1977	2,055	.....	1,838	1,859	5,752
September 30, 1978	2,460	.....	2,170	2,442	7,072
September 30, 1979	2,401	.....	1,904	2,023	6,328
September 30, 1980	2,464	.....	1,728	1,802	5,994
September 30, 1981	2,072	.....	1,384	1,407	4,883
September 30, 1982	2,016	.....	1,256	1,270	4,542
September 30, 1983	2,152	.....	1,326	1,239	4,717
September 30, 1984	2,275	.....	1,404	1,322	[1] 5,001

[1] Projected.

Source: Peace Corps annual statistical summaries.

TABLE C

Year:	Peace Corps volunteers and trainees [1]	U.S. military personnel abroad or afloat [2]	Total U.S. population (in millions) [3]
1961	124	.....	183.7
1962	2,816	.....	186.7
1963	6,646	.....	189.2
1964	10,078	.....	191.9
1965	13,248	.....	194.3
1966	15,556	.....	196.6
1967	14,968	.....	198.7
1968	13,823	.....	200.7
1969	12,131	.....	202.7
1970	9,513	.....	205.1
1971	7,066	.....	207.7
1972	6,894	.....	209.9
1973	7,341	.....	211.9
1974	8,044	489,815	213.9
1975	7,015	485,415	216.0
1976	5,958	483,734	218.0
1977	5,752	459,385	220.2
1978	7,072	471,874	222.6
1979	6,328	458,424	225.1
1980	5,994	488,505	227.7
1981	4,863	501,834	229.8
1982	4,542	528,484	232.0
1983	4,717	.....	.....
1984	5,001	.....	.....

[1] Source: Peace Corps Annual Statistical Summaries.
[2] Source: Department of Defense, Public Relations Office.
[3] Source: U.S. Bureau of the Census, Current Population Reports, series P-25, Nos. 802 and 903.

TABLE D.—*Budget outlays—National defense*

[In billions of dollars]

Year:	*Total*
1960	$45.2
1961	46.6
1962	50.4
1963	51.5
1964	52.7
1965	48.6
1966	55.9
1967	69.1
1968	79.4
1969	79.4
1970	78.6
1971	75.8
1972	76.6
1973	74.5
1974	77.8
1975	85.6
1976	89.4
1977	97.5
1978	105.2
1979	117.7
1980	135.9
1981	159.8
1982 (estimated)	187.7
1983 (estimated)	221.5

Source: U.S. Office of Management and Budget.

TABLE E.—APPLICANTS/TRAINEES

	Total applicants	Applicants considered	Trainees/new volunteers
1977	13,908	8,306	5,752
1978	13,661	7,987	7,072
1979	17,771	8,564	6,328
1980	16,495	8,445	5,994
1981	15,627	8,334	4,863
1982	14,577	9,866	4,542

TABLE F.—REQUESTS/INPUT

	Requests for volunteers	Input of volunteers	Percent of requests filled
1972	4,786	3,608	75
1973	6,185	4,112	68
1974	6,320	4,320	68
1975	4,311	2,942	68
1976	4,347	2,948	74
1977	5,652	3,751	66
1978	4,793	3,717	78
1979	4,259	3,331	78
1980	4,354	3,118	72
1981	4,259	2,695	63
1982	3,794	2,863	75

TABLE G.—INTERNATIONAL RELATIONS PROGRAMS IN THE FISCAL YEAR 1984 BUDGET

Program	Proposed budget	Percent of Peace Corps
International security assistance:		
Economic support fund	2,949	2,705
Foreign military sales credit	1,000	917
Military assistance	747	685
Other	108	99
Foreign economic and financial assistance:		
Multilateral development banks	1,618	1,484
International organizations	190	174
Agency for International Development	1,871	1,717
Public Law 480 food aid	1,052	965
Peace Corps	109	N/A
Refugee assistance	344	316
Other[1]	148	136
Conduct of foreign affairs:		
Administration of foreign affairs	1,392	1,277
International organizations and conferences	602	522
Foreign information and exchange activities	832	763
International financial programs:		
Export-Import Bank	2,457	2,254
Foreign military sales trust fund (net)	2,100	1,927

[1]The Peace Corps is America's smallest foreign assistance program; smaller, even, than "Other."

Source: Budget of the U.S. Government, fiscal year 1984, pp. 5–20.

THE COMMITTEE

The Committee of Returned Peace Corps Volunteers on the Peace Corps Budget was formed by the National Council of Returned Volunteers and the Washington, D.C. area Returned Volunteers organization in an attempt to reverse the steady de-

cline in the size and activites of the U.S. Peace Corps. The Budget Committee includes members of both political parties and represents a wide variety of Volunteer experiences. The members are: Thomas J. McGrew, Nigeria 1964–67, a partner at Arnold & Porter, Washington, D.C. (Chair); Donald T. Bliss, Micronesia 1966–68, a partner of the Washington, D.C. office of O'Melveny & Myers; Susan I. Greeley, Ghana 1975–77, Computer Systems Analyst at the Veteran Administration; David Hunsberger, Venezuela 1967–69, Management Systems Consultant; Neil G. Kotler, Ethiopia 1964–66, Legislative Aide to Representative John Conyers, Jr.; Holland G. McKenna, Upper Volta 1971–73, Economic Analyst at the Airline Pilots Association; James Stepanek, Colombia 1967–69, Editor, *The China Business Review*, at the National Council for U.S.-China Trade.

The Budget Committee's sponsoring organizations are:

The National Council of Returned Peace Corps Volunteers is the only existing "alumni" organization at the national level for returned Peace Corps Volunteers. It publishes a newsletter, undertakes special projects such as the 20th Anniversary Conference of the Peace Corps held in Washington in 1981, and encourages the development of local returned volunteer groups throughout the country. The council has over 1,000 dues-paying members.

Returned Peace Corps Volunteers of Washington, D.C. is the Washington-area Peace Corps alumni organization. It is affiliated with the National Council of Returned Peace Corps Volunteers. This local group, with over 270 dues-paying members, sponsors a variety of activities for area returned Volunteers and publishes its own newsletter. Among the group's activities are foreign policy issues forums on topies relating to Third World countries where volunteers have served.

MIDEAST: LEGISLATIVE ISSUES

WEDNESDAY, MARCH 2, 1983

UNITED STATES SENATE,
SUBCOMMITTEE ON NEAR EASTERN AND
SOUTH ASIAN AFFAIRS OF THE
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:10 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Rudy Boschwitz (chairman of the subcommittee) presiding.

Present: Senators Boschwitz and Sarbanes.

Senator BOSCHWITZ. The Subcommittee on the Near East and South Asia today holds the first of a series of regional meetings on the administration's proposed foreign assistance for 1984 and the supplemental request for this year.

The other regional subcommittees will follow later in the month or next month. The schedule is not the result of any particular design but perhaps the order is appropriate since the Near East and South Asian Subcommittee receives over half of the administration proposed $9.2 billion in worldwide aid.

The legislative situation is somewhat unusual because the proposals the subcommittee is considering are contained in three separate bills. Two of them are supplemental requests, special fiscal year 1983 bill for Lebanon, and the multiregion supplement which includes additional military assistance for Jordan, Pakistan, and Tunisia. The third and largest bill is fiscal year 1984 foreign aid request for that year.

I would like to mention the Lebanon bill first because this hearing will have to take the place of the separate hearing on Lebanon, which we had to cancel because of scheduling problems. The administration is proposing $150 million in reconstruction and economic aid for fiscal year 1983-84. The administration also is proposing $100 million in foreign military sales loans to help rebuild the Lebanese Army and $1 million for IMET funds.

It is the administration's hope that Congress can move quickly on the bill to speed the Lebanese reconstruction efforts and encourage other potential donor countries.

Also before the subcommittee is the fiscal year 1984 foreign assistance bill which provides the same overall levels of assistance as last year to Israel and Egypt but changes the proportions of grants to loans. That bill plus the fiscal year 1983 supplemental provides increased military assistance to Jordan and Pakistan as well.

I will let the administration witnesses provide the details. Our first witness is Senator Moynihan of New York. Senator Moynihan

is former Ambassador to India and has just returned from a trip to India and Pakistan and wants to share some of his observations on these two important countries. And we welcome those observations because of his great depth of knowledge of that part of the world. Both countries, of course, receive considerable aid under the proposal that we have before us.

The first administration witness will be Ambassador Nicholas Veliotes, Assistant Secretary of State for the Near East. He will be followed by Antoinette Ford, Assistant Administrator of AID for the Near East; and Charles Greenleaf, Assistant Administrator of AID for Asia.

We also are pleased to have Lt. Gen. Philip C. Gast, Director of Defense Security Assistance Agency, who has just returned from a trip in that part of the world.

Our public witnesses are: Tom Dine, executive director of the American Israel Public Affairs Committee; David Sadd, executive director of the National Association of Arab Americans; and Robert Basil, chairman of the Policy Committee of the American Lebanese League.

We also have written testimony for the record from two groups who could not fit into our hearing schedule. Amnesty International is submitting a written evaluation of the human rights situation in Pakistan in response to a request by Senator Pell.

[Amnesty International's prepared statement follows:]

PREPARED STATEMENT OF AMNESTY INTERNATIONAL U.S.A.

AMNESTY INTERNATIONAL'S CONCERNS IN PAKISTAN

Amnesty International has followed the human rights situation in Pakistan for some years. Although there have been continuing abuses of human rights in the country over these years, Amnesty International regards the situation as having deteriorated, especially in the past 2 years. Imprisonment, torture and executions of political prisoners have increased in Pakistan as a result of a program by the authorities of stripping civilian courts of the power to protect human rights. Thousands of people have been arrested solely for expressing their opinions and hundreds of others, including some political prisoners, have been executed in recent years. In January 1982, Amnesty International published a report entitled "Pakistan: Human Rights Violations and the Decline of the Rule of Law," which described in detail abuses which it felt amounted to "a consistent pattern of gross violations of human rights." These concerns continue into the present and include:

(1) the arbitrary arrest and imprisonment of thousands of citizens peacefully exercising their rights to freedom of opinion, expression and peaceful association;

(2) the erosion under martial law of standards to ensure a fair trial;

(3) persistent reports of ill-treatment and torture of political detainees; and

(4) the imposition of the death penalty and other punishments of a cruel, inhuman and degrading nature as penalties for persons convicted of political and other offences.

ARREST AND DETENTION

It is difficult to give a precise estimate of the number of political prisoners held at any one time because the pattern of political imprisonment in Pakistan is one of arrest, imprisonment, release and rearrest. Imprisonment may last from a few weeks to several years. Amnesty International considers most political prisoners to be prisoners of conscience, that is, prisoners who have not been involved in violence but are held for taking part in peaceful political activity, for expressing a political opinion, or for other reasons of conscience.

Mass political arrests took place in two waves during 1982. In the first wave of arrests from 25 February to the end of March, Amnesty International believes that many hundreds of political workers of Pakistan's banned political parties were detained for their non-violent political activities. While Amnesty International is not

in a position to confirm the figure, the Movement for the Restoration of Democracy (MRD, a coalition of opposition parties in Pakistan), estimated that 2,300 political prisoners were detained in the country as of 30 June 1982.

A second wave of arrests began at the beginning of August 1982. A large number of acts of violence took place in August and September 1982, especially concentrated in Lahore and Karachi. These acts included assassinations, arson in public buildings, unexplained accidents and sabotage. Following the assassination in September of a member of the Federal Advisory Council, 1,000 arrests were reported in Lahore and 530 in Karachi, of people classified officially as "hardened criminals." Amnesty International believes that many persons arrested were not involved in violent acts.

Members of Pakistan's professional groups including lawyers, journalists, television organizers, doctors and teachers have come into confrontation with the government, and some have been arrested or imprisoned during 1982 for non-violent political activity. To cite one example, a number of lawyers were arrested for criticizing and refusing to submit to the Legal Practitioners Ordinance, passed in July 1982, which prohibits Bar Associations and Bar Councils members from "indulging in any political activity, directly or indirectly." Lawyers across Pakistan resigned from their Bar Councils in protest of the Ordinance, which they described as "repressive and undemocratic." In October 1982, some 2,000 Pakistani lawyers at the All Pakistan Lawyers Convention in Lahore criticized the military government and demanded the restoration of civil liberties.

Hundreds of students have been arrested during 1982 in Lahore and Karachi, and in other towns, many of them for protesting peacefully against policies of the military government. Amnesty International knows of other students who have been held in prison for months without being charged, under preventive detention laws.

There have been a large number of arrests of non-violent demonstrators in Azad Kashmir (the part of Kashmir administered by Pakistan, and in which Martial Law does not apply and political parties are not banned). In Azad Kashmir there have been non-violent demonstrations calling for free elections and non-payment of taxes, organized by an alliance of Azad Kashmir political parties during the past year. Of those arrested, scores have been reported detained without charges.

Political prisoners arrested in large-scale operations have generally been released after a few weeks or months. However, they have often been harassed or rearrested after their release, under martial law provisions allowing detention without trial and prohibiting all political activity. Nearly all political prisoners are held under provisions Amnesty International considers inconsistent with rights guaranteed in the Universal Declaration of Human Rights and which also appear incompatible with articles of the Pakistan Constitution. Detention without trial is part of the constitutional framework in Pakistan and the Maintenance of Public Order Ordinance and martial law orders allow for preventive detention in broadly defined terms, without the legal safeguards applicable in ordinary law. When Martial Law Order 12 was replaced by Martial Law Order 78 in May 1980, political prisoners no longer had to be informed of the grounds for their detention. No judicial review of the legality of detention was allowed. Many prisoners are not told why they were detained, and some are held incommunicado. In many cases their families are not informed of the grounds for arrest, nor where the prisoners are held. The government rarely publishes any information on the arrest or release of political detainees.

TRIAL PROCEDURES

Many of those detained are still in prison without being charged. For example, Amnesty International has a list of sixty-two prisoners from just one prison in North West Frontier Province (Central Prison, Haripur), most of whom were detained without charge or trial for more than 6 months, and seventeen of whom have not been charged or tried. Many of these detainees who have been charged and tried have been denied a fair and open trial that conforms to international standards.

Since 1977, the powers of the military courts in Pakistan have been widely extended at the expense of the civilian judiciary. Military courts now have almost exclusive powers to try civilians, including political prisoners, for offenses punishable under martial law and the penal code. Such trials are by their nature summary: the evidence need not be taken down in full, summary military courts do not allow the right to defense by a lawyer, and courts are composed of military judges who are not members of the Bar. Military courts pass sentences on political prisoners without having to give a reasoned judgment and convicted prisoners are denied any appeal to a court of law. Some trials have been held in camera, inside prison. Further, a new Martial Law Regulation No. 53 of 27 September 1982 alters standards of

proof. Military courts are instructed to presume the guilt of the accused on the basis of police or other investigation alone, unless the contrary is proven by the accused.

TORTURE AND OTHER CRUEL, INHUMAN AND DEGRADING TREATMENT

Amnesty International possesses detailed reports showing that torture is systematically practiced in Pakistan.

Since the present government took power, specific allegations of ill-treatemnt and torture of political prisoners have reached Amnesty International, beginning in 1978 and increasing since the beginning of 1981. The reports charge both the army and the police. They come from all parts of Pakistan and are both grave and consistent.

Throughout 1982 Amnesty International continued to receive detailed accounts of the beatings and torture of prisoners detained in prisons and police stations, especially in Attock Fort and Lahore Fort. The types of tortures reported include: beatings with rubber shoes, clubs and sticks, being hung upside down by a rope, deprivation of sleep, burning and pulling of hairs, and electric shocks.

There are also reports of the imposition of court sentences which Amnesty International considers to be cruel, inhuman and degrading treatment in violation of international standards. Military courts have frequently ordered that political and other prisoners be flogged. Since amputation of the hand was introduced as a punishment for theft in Pakistan in 1979, 22 people are reported to have been sentenced to amputation. Although there are no reported cases of these sentences being implemented, in June 1982, for the first time, the Federal Shari'a Court confirmed a lower court's sentence of amputation for the theft of a clock from a mosque.

DEATH PENALTY

The death penalty is imposed in Pakistan for an increasingly wide range of offenses under the Pakistan Penal Code, martial law regulations, and Islamic law, and can be used to punish several offenses which are not crimes against the person. While Amnesty International is not in a position to give a precise number of executions in Pakistan during the past year because no official statistics have been given by the Pakistan Government, and only a few cases have been reported in the press, Amnesty International knows of 20 persons executed in December 1982 alone, some sentenced by military courts.

Amnesty International is concerned about the possible effect of two new Martial Law Regulations. Nos. 53 and 54, introduced in September and October 1982, respectively, allegedly to combat terrorism. The new Regulations are retroactive to 5 July 1977, and thus could be used to charge a large number of present as well as future detainees. The two Regulations amount to a drastic extension of the death penalty in Pakistan.

Martial Law Regulation No. 53 of 27 September 1982 established death as maximum punishment for acts of sabotage or terrorism causing damage to property, as well as for a wide range of offenses "likely to cause insecurity, fear or despondency among the public." The death penalty can also be imposed for aiding such offenses or failing to give information about them to the Martial Law authorities.

Martial Law Regulation No. 54 of 24 October 1982 spells out the duty of any person with information regarding "lawless elements" to inform the authorities. Regulation No. 54 states that "failure to do so would render him liable for action under this law which carries the maximum penalty of death". Persons who fail to report relevant information about "lawless elements" (a term broadly defined to include "any dacoit, robber, terrorist, proclaimed offender" or other person) can be punished with death as "harborers and abettors of lawless elements".

RECOMMENDATIONS

Amnesty International's report on Pakistan in January 1982 included recommendations to the Pakistani Government. These recommendations have not been implemented. In view of the seriousness of continuing human rights violations in Pakistan, and in the interest of promoting and protecting these rights, Amnesty International USA takes this opportunity to reiterate its recommendations to the Government of Pakistan and urges their implementation. These recommendations include: release of all prisoners of conscience; restoration of basic rights guaranteed in the 1973 constitution; restoration of the independence of the judiciary and of its powers to protect the rights of political prisoners; repeal of legislation providing for preventive detention and of martial law regulations prohibiting the peaceful exercise of human rights; publication of details of arrests and releases of political prisoners; ending of incommunicado detention and allowing immediate and regular access to

lawyers; abolition of the practice of trying political prisoners before military courts and restoration of legal safeguards, including the rights of appeal to an independent court and of defense by a lawyer; abolition of torture and establishment of independent machinery for investigating allegations of torture; impartial investigations of the deaths in custody described in the report, and full publication of the outcome; abolition of the death penalty and the punishments of flogging and amputation; and accession to international human rights covenants, particularly those protecting from arbitrary arrest and detention and guaranteeing fair trial.

Senator BOSCHWITZ. We also have a statement for the record from Dr. Joyce Starr, project director of the U.S. Business Commission on Reconstruction of Lebanon, the organization of prominent businessmen that was formed with the backing of President Reagan and AID as a way of encouraging American companies to participate in the Lebanese reconstruction. Dr. Starr recently returned from Lebanon, and her paper discusses the importance of AID and the American business community as a catalyst for assisting the redevelopment and regrowth of the Lebanese economy.

[Dr. Starr's prepared statement follows:]

PREPARED STATEMENT OF DR. JOYCE STARR, THE CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, GEORGETOWN UNIVERSITY

If we step back from the crisis response that events in Lebanon have compelled us to adopt, the question can reasonably be asked: Should the United States maintain its present influence in the country once the Marines and Philip Habib have been withdrawn? and if so, how?

Lebanese Foreign Minister Eli Salem, echoing the fears of most Lebanese, believes that Lebanon has never been at a more critical stage, the outcome of which will be principally determined by a single actor—the United States. "At this moment in history," says Salem, "we stand naked, hanging ourselves around the neck of America like an albatross. It is the United States that has become central to the survival of Lebanon."

The line separating Lebanon's potential reemergence as a thriving nation from its further decline is narrow. Time is not on the side of the Lebanese.

To the contrary, continued uncertainty about Lebanon's future has brought the economy—which valiantly withstood eight years of war—to a virtual standstill. The spirit of hope, so evident this summer, has been slowly eroded by renewed fighting and fear. Plans for productive, job-creating enterprises remain on the drawing boards, which in turn only exacerbates the country's potentially explosive social problems—including acute housing shortages, the numbers of homeless, and an excessively high cost of living.

Further, while it is acknowledged and oft-quoted that a sum in the range of $10 to $14 billion is required to reconstruct basic infrastructure in Lebanon, not one country has yet committed the kind of economic support that the Government of Lebanon urgently requires. Common wisdom has it that Saudi Arabia will underwrite the bill and thus it is unnecessary to unleash the anxieties of Congress or the American taxpayer. This line of thinking ignores Saudi Arabia's commitments in the Gulf, its dilemma in maintaining OPEC oil prices on a profitable keel, and the threat that not a penny will be forthcoming to Lebanon should there be the slightest sign of normalization with Israel. Lebanese, in private, also voice concern that infusions of Arab money will be used as a cover for the reentry of the PLO, Syrians and others hostile to a unified Lebanon.

But why, given these problems, should the United States take responsibility for putting Lebanon back on its feet? There are compelling reasons to do so. Because of its location, Lebanon is strategically important to U.S. interests in the Middle East, blunting a Soviet thrust into the region and international terrorism. From stations in the mountains of Lebanon, troop movements can be monitored from the Atlantic to the Gulf.

The war this summer was seen by many as a victory for the free world, a triumph over pro-Soviet, PLO and Syrian forces. And just as Lebanon is now portrayed by the Administration as a showcase for U.S. power and prestige in the Middle East, Lebanese stability has also become a measure of our credibility. A weak or hesitant American policy toward Lebanon plays directly into the hands of those who like to see Lebanon remain divided, thus undermining the strategic position of the United

States throughout the region. Strong U.S. military assistance to Lebanon could also prove critical in enabling the Lebanese Army to emerge as a force capable of defending and stabilizing the country, which otherwise could once again become a powderkeg for the entire area.

The historic vitality of the Lebanese economy, its proven resilience, could also provide a key for U.S. economic interests. Officials of the Export-Import Bank (EXIM) say that no other Middle East capital can compete with Beirut as a commercial center for the region. "Once they get the foreign troops out", declares a vice president of the bank, "Lebanon will rebound so fast it will astound the world."

The EXIM Bank has recently reopened all of its programs for Lebanon (restricted to the Beirut area) and the Overseas Private Investment Corporation is now considering a recommendation by one of its top officials to do the same.

The Lebanese are hoping that both the U.S. Government and the American private sector will play major roles in the reconstruction process. But at present the prospects are unclear. Since the election of Amin Gemayel as President of Lebanon in September of 1982, only one American corporate mission has visited Beirut (an OPIC delegation of U.S. contractors), while senior level European delegations (not to mention Japanese and Australian) have virtually beseiged the Lebanese Government with their constant visits. Teams of U.S. technical experts sent to Lebanon on an emergency basis by AID and by private groups have also been no match numerically for the French, who have maintained several hundred advisors on the ground for weeks at a time.

According to a senior member of the U.S. AID mission in Beirut, American firms visiting Lebanon in the near future "are already late." The Europeans, unlike their American counterparts, are not waiting for guarantees of security or the withdrawal of foreign forces to make an initial foray which will give them a competitive edge in future trade or project development. European governments, led by the French, are also already in advanced stages on the signing of special financial protocol agreements with Lebanon which will bolster these efforts.

Lebanese Government officials recognize the competitive constraints on American firms—specifically the high cost of EXIM and other U.S. financing as compared to that of COFACE (Compagnie Francasie Assurance Pour le Commerce Exterieur, the French counterpart of the EXIM Bank) and other subsidized export agreements—but state that they are nonetheless ready to lean toward American companies whenever possible and that the quality of American products and technology, coupled with competitive delivery dates, can offset higher U.S. credit rates.

Advisors to President Gemayel also express the view that a strong U.S. private sector presence in Lebanon will have important political consequences that reach beyond the issue of "business as business." Many would like to see Lebanon economic future tied to the West, preferably to the United States, which in turn would reduce its dependence on and vulnerability to Arab investments and markets. There was great concern over the fact that three U.S. banks based in Lebanon have recently sold their full interests to a specific Saudi group (albeit for entirely different reasons related to the internal problems of each institution). The February 15 announcement by the management of TAPLINE, which runs one of Lebanon's two major oil refineries, that it will be closing its operations, also produced shockwaves, since many Lebanese feared that the departure from Lebanon of four major U.S. oil companies could be perceived as a lack of confidence in the country. There are Lebanese who argue that although TAPLINE suffered the loss of revenues in Lebanon, its critical losses were actually incurred in Saudi Arabia.

The issue of U.S. export financing vis-a-vis European credit facilities also troubles the Lebanese since it is clear that European governments are able to offer mixed-credit packages which U.S. Government cannot match. For example, EXIM rates for Lebanon are now pegged at approximately 11 percent, whereas COFACE, in conjunction with the French Treasury, can offer loan packages to French companies doing business in Lebanon at rates as low as 3½ percent, with a ten-year grace period. The EXIM has, on rare occasions, participated alongside AID in joint projects, but only under exceptional circumstances and in clear contravention of the Bank's usual practice (that it is not to be used as an instrument of U.S. foreign assistance policy). Therefore, even if a major lobbying effort were mounted, the likelihood that Lebanon would be declared an exception were mounted, the likelihood that Lebanon would be declared an exception or that this longstanding policy would be reversed is minimal at best.

If, however, Lebanon could document that another country offered better credit facilities than EXIM is able to provide and specifically requests that EXIM match the more favorable rates, the Bank is evidently permitted to react by reviewing its credit provisions. The Catch-22 is that EXIM is already competitive with the export

finance facilities offered by its counterparts in other Western nations—but cannot match the favorable terms which result when other governments link their export financing with foreign aid monies.

Since EXIM project requests are also evaluated on an individual rather than a national basis, the opportunity for a special, comprehensive bilateral agreement between EXIM and Lebanon does not exist, nor therefore the possibility of a media event occasioned by the signing of a protocol similar to that from which the French and others have benefited.

The AID package under study for Lebanon would provide only $150 million over the next 2 years, which is not an enormous sum given the extent of Lebanon's reconstruction needs. Nevertheless, these funds will be tied to U.S. goods and services, which would provide an important entre for American companies. The February 7 signing by AID of a $7.7 million telecommunications project to repair lines in West Beirut was, for example, received enthusiastically by the Lebanese Government and the leading press.

For U.S. corporate representatives worried about their personal safety in Lebanon, the news is favorable. While there have been a few rather depressing incidents of car bombings and the like over the last few weeks, the general climate and access between East and West Beirut has returned to relative normality, and Lebanese Government seems to have successfully established its authority over both sectors of Beirut. Moreover, when the Lebanese Army extended its authority to East Beirut on February 14, they did so with the full cooperation of the Lebanese Forces, who had previously controlled that area. It should be noted that the new Commandant of the Lebanese Army, General Ibrahim Tannous, served with the Lebanese Forces during the past 8 years of fighting, while simultaneously retaining his military rank. The relationship between Tannous and the Forces is viewed in Lebanon as an important bridge towards the eventual emergence of a unified army capable of defending the country.

In an effort to attract foreign investment, the Lebanese Commissioner of Taxes, Joseph Torbey, will also soon submit to the Council of Ministers a legislative initiative establishing beneficial tax status for offshore holding companies in Lebanon. Further, a set of laws were promulgated at the end of January 1983 which provide that a new industry can obtain an exemption from income tax for a period of 10 years, that special loans will also be made available by the Lebanese Government at preferential rates to such new industries, and that these industries will have a tax exemption for a period of 6 years.

There also exists in Lebanon a public risk insurance program that is virtually unknown in the United States, but which would be of particular benefit to medium and small-sized U.S. firms that would otherwise have difficulty meeting OPIC eligibility requirements. Lebanon's National Investment Guarantee Corporation was established in 1977 and is backed by the country's international reserves amounting to approximately $375 million in gold and $1.5 billion in convertible currency (based on 1981 figures, with gold valued at U.S. $42.22 per ounce and end-of-period exhange rates of dollars for Lebanese pounds).

The NIGC covers only the risk of war and insurrection—whereas OPIC also covers inconvertibility and expropriation—but its fixed assets insurance is available to any firm residing in Lebanon, whether local or foreign, as long as it falls under one of the following broad categories: commercial, industrial and service establishments; charitable, health and cultural institutions; and international foreign missions. Between 1977 and 1983, 173 firms have taken advantage of the NIGC's program, with all claims for damage and loss filed to date fully honored. According to the Director of the NIGC, Alef Kahil, the NIGC has no equivalent in the Arab world and its risk coverage for fixed assets is competitive with any equivalent institution worldwide.

Moreover, while the Government of Lebanon is in serious financial difficulty, the private sector is not. The private bank holdings of Lebanese citizens presently amounts to approximately $4 billion, while Lebanese abroad are believed to hold at least three times that amount ($12 billion). President Gemayel has recently named a special External Economic Advisory Group, composed of leading businessmen of Lebanon, to attract the investment of these local and foreign deposits.

Even if the Government's program for reconstruction should move slowly, opportunities for private sector joint-ventures and U.S. representational offices in Lebanon will probably increase at a rapid pace concurrent with improvements in the security situation.

The argument that any "normalization" between Israel and Lebanon will automatically eliminate critical Arab markets for American firms and also threaten the remittances of Lebanese workers in the Arab world (estimated by the Minister of

Industry at approximately $150-$200 million per month—and the principal vehicle by which Lebanon was able to balance its trade deficit over the last eight years) has been counterbalanced by some Lebanese who move in Presidential circles. They state that other factors should be considered which will soften any such outcome: (1) Whatever markets might be closed to Lebanon in the Arab "East" would be compensated for to some extent by trade with African (where several hundred thousand Lebanese entrepreneurs, leading businessmen and their families, presently reside), with Egypt, and even Jordan; (2) That Lebanese working in the more conservative capitals are, in fact, among the most prominent financial and technical advisors in these countries. Thus, unlike the case of Egyptian guestworkers, it is unlikely that very many of these leading professionals will be asked to leave; (3) That the Europeans do not seem exceedingly concerned about this prospect, nor do even some of the pro-Arab members of the Gemayel Cabinet. As one such advisor, known as a spokesman for the "Arab" position, recently commented, "Israeli Arabs are now allowed into Mecca, and everybody knows it. This part of the world will never be the same. The question is one of process and timing."

Two of Lebanon's most urgent priorities today are low-cost housing and the creation of statistical analysis capability for the administrative agencies of the government. In both cases, the opportunities for the U.S. business sector have not been properly evaluated. According to an official with the U.S. Embassy in Beirut, "most American firms think that the Lebanese private sector can't build anything but a mud hut, when the exact opposite is true." In fact, Lebanese contractors are quite able to absorb the amount of construction work required to meet the housing and industrial needs of the country. U.S. Embassy experts also warn that the Lebanese are concerned about maintaining their own heritage in construction projects, i.e. standardized U.S. building structures are not likely to fare well in Lebanon. On the other hand, sophisticated engineering design technology and components such as windows, doors and forms for pouring concrete are presently lacking in Lebanon and could prove a substantial market for U.S. firms, particularly medium-sized ones.

Both the government and private sectors of Lebanon need the information systems technology and services that U.S. firms can supply. But where as the government, during the years of fighting, was unable to introduce these systems and therefore cannot easily absorb the highly sophisticated consulting services U.S. firms are accustomed to providing, the business community was able to introduce limited information technologies and is consequently more likely to make use of U.S. capabilities.

Other sectors which U.S. companies could profitably explore include: telecommunications—as noted above, U.S. AID has been working hard to "get a foot in the door" in this area; health industries; transportation; communications; banking support services; tourism; and non-hardware intensive sectors such as water and sewerage systems. Because Lebanon is now in the process of rehabilitating all of its public assets, a sale of any major equipment item today is likely to mean a long-term relationship in the supply of parts and technical services.

President Reagan has appointed a special commission—the U.S. Business Commission on the Reconstruction of Lebanon—to encourage and guide the participation of American business in Lebanon. This initiative, in combination with the AID package, EXIM and OPIC guarantees and financing, indicates an appreciation of our relationship with Lebanon.

Looking towards the future, a more comprehensive and long range approach could take the form of increased military and economic aid, the creation of a capital fund for joint U.S.—Lebanese projects, and the tailoring of incentives for trade between the two countries. Efforts to support the Lebanese Government will have a catalytic effect both on internal security and economic revitalization.

Senator BOSCHWITZ. Senator Moynihan, we appreciate having you here today. And we ask you to proceed.

STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK

Senator MOYNIHAN. Thank you, Mr. Chairman. I have a written statement which I would ask be put into the record.

Senator BOSCHWITZ. We will do so.

Senator MOYNIHAN. I will proceed to summarize it.

It has to do with the administration's request for aid to Pakistan, which is a very considerably increased proposal. There is a supple-

mental of $75 million on foreign military sales, $300 million for fiscal year 1984, $225 million in economic support funds, $50 million in Public Law 480 funds, and then, Mr. Chairman, at the bottom of this list, $3,500,000 in international narcotics control. And it is to that last matter that I would like to speak to you—briefly, but with as much urgency and sense of the importance of this matter as I can bring to the subject.

If you would accept a moment's background, in 1969 I was counselor to then President Nixon, and I urged him to put the question of international narcotics traffic on the agenda of American foreign policy.

He agreed that it had to be done, as it was producing an epidemic of crime in our society and changing our society. As I recall, there were more bank robberies in Washington, D.C., in 1969 than there had been in the previous 100 years. This was thought to be related to the movement of heroin from one city to another. At that time the heroin was originating in Turkey as opium and going to heroin laboratories in Marseilles, the so-called French connection, coming then to New York.

There began a great effort, which involved organizing the State Department for the purpose and providing funds to help farmers. The people at the beginning of the sequence get very little out of it, and they are typically very marginal farmers with very small plots. In Turkey they grow opium as a traditional food—the poppyseeds are part of their cuisine. And then it turned out that there was a market for this abroad.

Finding substitute crops is the responsibility of anyone who wants to put an end to opium sales. It is a particularly difficult one to do in Turkey because the center of production was a province named Afyon, which is the Turkish word for opium. And that is where the prime minister of that time came from. And yet the Turks did do this. They did change their crops. It is as if you were asking the Californians to cut down their vineyards.

The French cooperated too, and that connection was broken. Immediately opium growth and heroin production began in northern Mexico, and again we had to go through the same sequence. And again, after some reluctance, the Government of Mexico did join us, and with some considerable success. Last June, the former Secretary of HEW, Joseph A. Califano, Jr., estimated that the number of heroin addicts in New York City had increased by half since 1978.

Now, how did that happen? It happened that suddenly Pakistan became a source of heroin. We have a publication, Mr. Chairman, called the Narcotics Intelligence Estimate. It is produced by, rather curiously, the National Narcotics Intelligence Consumers Committee.

It keeps track of these things. There is a chemical signature on most of these drugs. You can tell whether they are grown in northern Yucatan or the Anatolian Peninsula. It is not a difficult thing to do.

In 1976, the Narcotics Intelligence estimate put the amount of heroin coming from Southwest Asia as negligible, and they gave the quantity zero. By 1980 it was up to 60 percent. It is now probably more like 80 percent.

Senator BOSCHWITZ. Of the total?

Senator MOYNIHAN. Went from zero to 60 percent in 5 years. And now it is surely up again. That is how mobile this traffic can be. And we are beginning to find out it may be connected with terrorist groups around the world and other things that are also new.

In any event, I took it on myself at this Lincoln's Day recess, to visit Pakistan and India on a variety of purposes, one of which was to see the efforts of the Government of Pakistan to deal with this question.

Last year I introduced a measure, S. 2670, which said that the United States would suspend all assistance to and prohibit exports to countries—and prohibit importation from—countries that would not cooperate with us in drug matters.

Drugs are responsible for probably a quarter of the homicides in this country, as between the dealers in drugs, and for an incredible amount of crime. The average heroin addict in New York City—and we are keeping records—commits about 167 crimes in the course of a year. And it has enormous consequences to us.

On the other hand, the countries that are the exporting countries, excepting for people in the processing, the heroin laboratories and officials who may be corrupted, there really is not a very large monetary interest. This is for marginal farmers who live with incomes that we cannot imagine: in the neighborhood of $150 a year, annual income, average holding in the farmers being about 2 to 2½ acres.

The sum of my testimony, Mr. Chairman, is that I visited Islamabad and was received by Gen. Mohammad Zia ul-Haq, who could not have been more courteous, and who said to me that as a fundamentalist Moslem, and having placed the nation under martial law, he also restored the traditional Islamic law which, among other things, bans intoxication while at prayer. And this is judged to extend to the use of opium or its derivatives.

He spoke of his government's determination to get hold of the opium-heroin problem. And I quote him, "For our own sake more than for anyone else's."

The next day I went north from Islamabad to what the British called the Northwest Frontier Province and which is still so called by the Government of Pakistan. This is an area known also as a tribal area, and the Government will make the claim that the actual statutes of Pakistan do not fully obtain there, and yet it is Pakistan territory.

In the report of the National Narcotics Intelligence Consumers Committee that I mentioned to you, there is a very impressive map of the heroin, the morphine laboratory facilities and the heroin laboratory facilities in Pakistan in this area. And as I am sure you know, the sequence is that you go from raw opium to morphine to heroin. And it is a three-staged process.

The sum of my testimony, Mr. Chairman, is that I traveled through the Malakand agency, which is one of the subdivisions of the Northwest Frontier.

Senator BOSCHWITZ. Say that again?

Senator MOYNIHAN. The Malakand, M-a-l-a-k-a-n-d. Winston Churchill writes of the Malakand expedition.

Mr. Samuelson, an embassy officer of the very highest quality, accompanied me. And I may say it takes more than, if you think that is an easy job for a diplomat, try it someday. That is the most difficult terrain and the most dangerous world you can be in in many respects. And this man is up there alone, asking people not to raise their cash crop. It is not exactly your idea of tea parties, although you do drink a lot of tea, as a matter of fact.

He took me through a succession of valleys, in which he could say with complete confidence that a year ago this valley floor was filled with opium plants, and there is none growing now."

On the other hand, we went to valleys, Mr. Chairman, where the opium is flourishing. I am not much in the habit of presenting the committee with photographs of myself, but there is a picture of me in an opium field in the Malakand Province, taken on the 7th of February. And that opium will be harvested in April, and it will be in New York City as heroin in September. It will be in Baltimore. It will be in Minnesota, in Wisconsin. It is not selective in where it goes.

And so what I ask of the committee is that will you not consider putting in your authorizing legislation the substance of the legislation I proposed last year, which I will give to the staff, which is to say, very simply, that we are dead in earnest about this. We cannot allow this to be done to our country, to our people, by another nation.

It is not that much for them to do. We are prepared to help. We are paying for substitute crops. But the cost to this society of illegal drugs is just too great, and the people who depend on us to help protect them from the Soviets or whomsoever can at least help us this much.

I do not question the sincerity of the Pakistan Government or at least its interest. But I have been walking through poppy fields in Pakistan within 4 weeks' time, and there is no reason they should be allowed to mature. There is no reason those heroin laboratories and morphine laboratories should be allowed to persist.

That is not something that can be concealed. Both the French and the Mexicans have shown it possible in a much more urban setting. It can clearly be done in this setting, albeit it is not without its difficulty. But it is a difficulty which we have a right to ask of our friends.

We are in a position of providing them with enormous amounts of military assistance. Pakistan is receiving F-16's from the United States. Four were delivered shortly before I arrived in Pakistan last month. I believe many more are on their way. They are a fighter-bomber that is at the top of the line with us. If they want that from us, it seems to us it is little enough for us to ask them. And without questioning their good faith, I do say, sir, that on the record, the performance is not yet satisfactory.

That is the end of my testimony.

[Senator Moynihan's prepared statement follows:]

PREPARED STATEMENT OF HON. DANIEL PATRICK MOYNIHAN

I would like to express my appreciation to the Chairman and the members of the Committee who have so graciously permitted me to make a brief presentation today during this examination to the President's proposal to provide foreign assistance to

the countries of the Near East and South Asia. Having recently visited the South Asian subcontinent, in my capacity as Vice Chairman of the Senate Select Committee on Intelligence, I would like to comment with respect to the proposal for aid to Pakistan.

In particular, I am concerned about Pakistan's role as the single largest supplier of heroin to the American market. As I expect members of this Committee are aware, a report prepared for the Governor of New York last June by Joseph A. Califano, Jr., former Secretary of Health, Education and Welfare indicated that the number of heroin addicts in New York City had increased by 50 percent since 1978. A Rand Corporation study quoted in the Califano report indicated that heroin addicts averaged 167 crimes a year. And the trends in both instances were upward.

I believe that these twin problems of drug addiction and the crime that inevitably flows from it should be considered among the highest priorities in American foreign policy making. And Pakistan should be at the center of these deliberations.

My own involvement in this aspect of foreign policy goes back to the time of my service in the White House as a domestic policy advisory. As the history of this involvement may help place the current problem with Pakistan—and my recent visit there—in a proper context, I would ask the indulgence of the Chairman as I relate a bit of this history.

In 1969, President Nixon asked me to be assistant for urban affairs. I agreed. I proposed to Mr. Nixon that among the first things to be done about American cities was to place the international drug traffic on the agenda of American foreign policy. He in turn agreed, and in the course of 1969, this was done. In August of that year, I flew eastwards to Calcutta, Istanbul, and lastly Paris. At each place, I talked with American and local officials, stating that the United States could no longer tolerate the extraordinary commerce in smuggled heroin then flooding our cities, especially on the East Coast, and bringing with it a plague of death and crime.

During the course of the 1960's, for reasons I don't think anyone fully understands, heroin addiction had become epidemic in our larger cities. Inevitably, crime, and the fear of crime, became epidemic also. This profoundly transformed American urban life. The fear was genuine. The most elemental of civil rights—the right to move about safely in one's own society—was being denied as effectively as if a law were passed abolishing it. We may not frequently think of the freedom to move about as a "right." But citizens of the Soviet Union surely do.

I reached Istanbul on September 2, 1969 and met with the Turkish Foreign Minister the next day. I explained that the heroin flowing into the United States began as opium grown in Turkey then processed in Marseilles, France. Most of it was grown in the province of Afyon, which in Turkish means "opium." It had been a traditional crop, grown for poppy seeds—seeds which we associate with bread and life, but which we were now to associate with the slow death in our cities. The Foreign Minister knew more about the drug traffic than perhaps he let on at the time, but he listened with courtesy to the proposition that the American Government would in effect buy out the opium farmers, by providing the money to substitute new crops and markets.

I next flew to Paris where my reception was more distant. For one thing, the American Embassy had never heard of a heroin problem, much less the "French Connection." Nor were the French authorities much interested, at first, in the fact that we didn't seem able to enforce our own laws. Slowly, however, after several more trips, more discussion, the French became convinced that they were part of our problem. In 1969, there was one death on the Riviera from heroin overdose. It apparently occurred to the French that heroin could become their problem also, but, in the main, they responded out of a civilized sense of responsibility. Not, I might add, without a touch of contempt, or at least wonder. That winter, I finally met the head of the French "Securite," a man whose name is known, but whose picture is rarely seen. He came to the American Embassy for lunch. I described the extent of the heroin problem in the United States, and stated that it was coming from heroin factories in Marseilles, and asked if it could not be stopped. He listened. As he left, he asked "What kind of people are you?" That we were only now coming to them about a matter which, had the roles been reversed, they would have been storming at us about decades earlier.

No matter. We were able to work together. The French Connection was broken. The Turkish opium fields closed down.

Whereupon in the 1970's heroin production moved to Mexico. The United States Government was much better organized now. The issue was on the agenda of American foreign policy. By the end of that decade, the Mexican connection had been broken, too.

Whereupon heroin production moved to Pakistan, where it remains today. The speed of the transfer is astonishing. The National Narcotics Intelligence Consumers Committee produces an annual Narcotics Intelligence Estimate. The most recent NIE reports that, in 1976, "negligible" amounts of heroin came into the United States from Southwest Asia. Proportion: zero. By 1980, the proportion had risen to 60 percent. It is now probably three-quarters. Moreover, though "Southwest Asia" is a term that normally refers to Pakistan, Afganistan and Iran, last year's NIE explains that the chaos in Iran and the war in Afghanistan have all but eliminated these two countries as suppliers of heroin to the world market. So we are talking about Pakistan.

In the last Congress, I introduced legislation (S. 2670) that would have forbade any economic or military aid to any foreign country that was the source of illegal drugs coming into our country and, at the same time, that was not cooperating with us in trying to stamp it out. My proposal would have also prohibited trade—except for food and medicine—with such a country.

Certainly, Pakistan is a recipient of much aid—we are in the midst of a 5-year program that will provide $3.2 billion in aid to Pakistan. Is it cooperating in halting the heroin traffic?

On Sunday, February 6, I met with President General Mohammad Zia-ul-Haq, and raised the issue, much as I had done in other places at other times. This time, I would have to say the response was considerably more forthcoming. General Zia is, of course, a fundamentalist Moslem who, having placed his nation under martial law, has restored much traditional Islamic law. Among other things, this bans "intoxication" while at prayer and that is deemed to extend to the use of opium and its "higher" derivatives.

Specifically, he declared his government's determination to get hold of the opium-heroin problem "for our own sake, more than for anyone else's." He said that legislation would soon be promulgated providing penalties of up to life imprisonment for narcotics offenses.

There is a hitch. There always is. The opium fields and the morphine and heroin laboratories are mostly located in the Northwest Frontier Province. This is the land of the Pathans, a warrior race, whose first recorded battles were with Alexander the Great (remembered still as "Iksander") and who have battled on, more or less continuously, through history. The terrain in this area is the natural environment of the guerrilla fighter—as the Soviet Union is learning across the border in Afghanistan. When Pakistan became an independent state in 1948, it retained the nominal suzerainty over the area which the British had exercised, and indeed kept the name of Northwest Frontier Province for the region. The laws of the Pakistan in some ways do and some ways don't extend to the region, which is referred to simply as being "tribal."

How seriously, then, should we take General Zia's assurances on opium and heroin if he does not actually control the area?

My own visit to the poppy-growing heart of the Northwest Province the following day was not altogether heartening. I travelled with Mr. Stan Samuelson, an embassy officer with long experience in agricultural matters. With what would seem the complete cooperation of the central government authorities of Pakistan—always keeping in mind the limits of their authority—he is working with farmers who have been growing opium, trying to persuade them to try other crops and helping them do so.

We went through valley after valley which last year, the reported, were covered with poppies, but now "clean." We had tea at every village and were introduced to ex-opium farmers now "reborn" and sinners no more. But after listening to one large landowner announce that there was not a single poppy growing on a single one of his fields this spring, Samuelson asked how much opium he had stored up from last spring's crop. Much body language. Shrugs of the shoulders. No answer.

Finally, we drove through the valleys that were not "clean." No one bit. Covered with opium plants, about four inches high, still in the leaf stage. They will produce opium in May. By September, this could produce death in New York, or Chicago, or Los Angeles.

So there is good news and bad news. But surely only one conclusion: If Pakistan desires economic and military aid—four F-16 fighterbombers were delivered just before I arrived, but many more are scheduled—it must wipe out heroin production at every stage in what is its national territory no matter what the British called it.

And our government must be implacable on this point. Else the question arises again: what kind of people are we?

My own suggestion, which I would respectfully urge the members of the Foreign Relations Committee to consider as they proceed through their deliberations of this

year's foreign aid bill, would be that the Congress enact legislation along the lines I proposed last year in S. 2670. That is, we should simply require that governments such as Pakistan's eliminate the heroin production facilities, and the poppy crops, in their countries before we will give them money or equipment or subsidized loans for buying American military equipment. We should further require that, in the case of countries which have been identified by the National Narcotics Intelligence Consumers Committee as countries of origin of illicit narcotics, the President would have to certify to Congress that such a country's government has actually made progress—not just announced its intention to make progress—in the eradication of poppy crops, opium refineries and heroin factories.

It seems to me quite reasonable that we should insist that the countries we sustain should in return be required to help us stop the deadly international narcotics traffic.

Thank you, Mr. Chairman, for hearing me today.

Senator BOSCHWITZ. We thank you, Senator.

I find myself in the embarrassing position of not recalling whether it was in open or closed testimony. I recall, however, without getting involved in the specifics, that we have heard a good deal of testimony to the effect that the Pakistanis were trying to control this, that they were indeed making progress, they indeed needed some equipment but they were going after this as General Zia said, not only for us but for their own sake as well.

Do you have any sense or any evidence of comparison, are they indeed lessening either their processing or growing of the poppies?

Senator MOYNIHAN. Yes, Mr. Chairman. If you made the foreign military sales that are before you as a request from the President, or whatever portion of them, subject to immediate cancellation, if the U.S. Embassy in Pakistan told you they were not satisfied with the progress, there would be a lot of progress very fast.

Senator BOSCHWITZ. Also, they say they are progressing. Did you have a sense of their making progress against this?

Senator MOYNIHAN. I could not in good conscience tell you that, because I would have to know over time more than I did. There are people in the Department of State who could.

But, you know, it is not progress if you stop growing poppies in this valley this year and show people that you have done so because as a matter of fact you have moved over to the next valley. Again, I am sorry to be a travelog here, but this is a photograph of three reformed opium growers. They were presented to me.

Senator BOSCHWITZ. Do they have a smile on their face?

Senator MOYNIHAN. They have smiles on their faces. But the more interesting smile was when Mr. Samuelson, who is no fool, said to this gentleman over here, he said, you are not going in the opium at all this year? Not a bit, was the reply. And then he said, how much have you kept stored from last year? A lot of body English, but not much words. The farmer said nothing.

This is a real problem, and we cannot let anybody think that they can avoid it and yet serve their national interest.

Senator BOSCHWITZ. We also received some testimony during the course of some meetings and got the understanding that you alluded to; that this is a pretty remote part of the world. To what degree do you find the Pakistanis have an ability to restrain that opium production? You more or less answered that when you said that they could move pretty quickly, does that mean that they have pretty good control over this neck of the woods?

Senator MOYNIHAN. If the choice was American military aid or those poppy fields, Islamabad would disover it had control of this part of the world. They would just do it, that is all. If is a fact of this particular business, that it is a once-a-year crop. If you go in, you can spray or you can just go in and knock it down and you cannot hide it.

Mr. Chairman, I have been through this in far more difficult situations. I say to you the Pakistani officials can eliminate this production. They cannot eliminate the smuggling from Afghanistan, but they can eliminate the laboratories. They can do it if they decide it is in their national interest to do it.

And you, sir, more than probably any single person in the United States, is in a position, on this committee, to make it in the national interest of Pakistan to do so. When they have done so, they will not be sorry they did. They will not miss this.

Senator BOSCHWITZ. Senator Sarbanes, do you have any questions?

Senator SARBANES. Mr. Chairman, I simply want to say that I agree very strongly with Senator Moynihan that it is quite reasonable that we should insist, as you state here as your conclusion, that "the countries that we sustain should in return be required to help us stop this deadly international narcotics traffic."

And your own-longstanding interest and involvement has helped in fact bring about exactly such developments in other countries that were confronting us with this problem. And I think you put a very reasonable point to the committee, and I would hope we could act on it accordingly.

Senator MOYNIHAN. Thank you, sir.

Senator BOSCHWITZ. I certainly concur with my colleague from Maryland. We thank you very much for coming.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Senator BOSCHWITZ. The next witnesses are the Honorable Nicholas Veliotes, Assistant Secretary of State for Near Eastern Affairs; Mrs. Antoinette Ford, who is the Assistant Administrator of AID for the Near East; and Charles Greenleaf, who occupies the same position for South Asia.

Mr. Ambassador, whenever you are ready, proceed.

STATEMENT OF HON. NICHOLAS A. VELIOTES, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AFFAIRS

Mr. VELIOTES. Mr. Chairman, I am very pleased to be here before the committee again with my colleagues to testify in favor of the three appropriations that you cited earlier.

I have a statement which I have submitted for the record, and I would like to summarize it at this time.

Senator BOSCHWITZ. Fine.

Mr. VELIOTES. If before proceeding I could just make a comment about Senator Moynihan's testimony, sir.

There is no question but that the administration, and I think all Americans, fully share the goals of eradicating the heroin trade and the drug trade wherever it may originate. Certainly as concerns Pakistan, we share that strong objective, and we have been working on it. We have made progress. It is not a simple issue.

The Attorney General visited Pakistan last fall. There have subsequently been some interesting developments in the enforcement field which are encouraging.

I would like to reserve any detailed comments on the proposal of linkage and save this for a later period, unless some of my colleagues would like to address the issue later on in the session.

I would like to know whether or not had we attempted to coerce the Pakistan Government through linkages to things like military assistance if we would have achieved the degree of cooperation and the cooperative air as well as some of the results that we have had today.

I also have to tell you my own personal concern about running the risks of one-dimensional foreign policies. We have many policy objectives in Pakistan and with the Pakistanis. One of the most important is narcotics control, but there is more than that. And I think that our best approach always in these issues is a balance in our approach, attempting to do the best we can to promote all of our policies, all of our policy goals.

Having said that, certainly I wish to conclude by saying we share Senator Moynihan's concerns, and we certainly welcome his interest, not only as a Senator but as a former Ambassador in India. And the fact that he took the time to personally make this trip and report, we are all the better for it.

Senator SARBANES. You regard this as but one of many foreign policy objectives, is that correct.

Mr. VELIOTES. Correct.

Senator SARBANES. The point that Senator Moynihan is making is that it is a major domestic concern. I was out of the room. I do not know if the Senator read his statement, but he makes the point that the twin problems of drug addiction and the crime that inevitably flows from it are having an impact at home that is profoundly transforming American urban life.

To downgrade that problem to a kind of a litany as but one of many foreign policy objectives is not really doing justice to the thrust of Senator Moynihan's statement.

Mr. VELIOTES. Senator, I did not mean to downgrade it. You are referring to the second part of my statement.

Senator SARBANES. He is saying that in every major urban area there is apprehension, if not outright fear, about safety that can be traced back to the narcotics trade. You do not really quarrel with that, I would hope.

Mr. VELIOTES. Of course not, sir. In my first comment I questioned whether that would be the most effective way of achieving the progress and the goals that we share. I certainly did not intend to downgrade the issue.

Senator BOSCHWITZ. But I gather that you disagree with the Senator's amendment then that we should compel the eradication of the poppies or at least to say that our aid is not going to be forthcoming if those poppies are not taken care of?

Mr. VELIOTES. I would want to know a lot more about the situation, sir, and see the language of the amendment. The issue there is what is the most effective way to assure continued progress, and that is something that we would have to discuss.

Senator SARBANES. Well, we would not have to draft it in terms of linkage in just reaching our judgment as to what constituted a reasonable aid figure as we face the situation of our relationships with nations around the world amongst many things which we consider would be the nature of our relationship as it touches upon this very important and sensitive problem, just as we consider the same sort of thing with respect to other problems. And we may not have to link it and establish—I think you used the word "coercive"—tie or whatever. It might be just reflected in what the figures are.

Senator BOSCHWITZ. Mr. Ambassador, since you have begun with that subject, what kind of progress do you perceive we are making with Pakistanis?

Mr. VELIOTES. On the narcotics issue?

Senator BOSCHWITZ. Sure. I must say I very much agree with Senator Sarbanes that this is not an issue to be downgraded, and it is not an unreasonable issue on which we should base our aid inasmuch as there is the upsetting factor caused in American society because of the presence of these drugs.

Have we made some progress?

Mr. VELIOTES. There has been progress. We could submit for the record greater detail.

[The information referred to follows:]

OPIUM POPPY GROWING

There has been progress. Since President Zia imposed a ban on opium poppy growing in 1979 there has been noteworthy progress in reducing opium production. The 1979 crop was about 800 metric tons. Last year it dropped to under 80 metric tons. While bad weather and the price-depressing effect of a large stockpile figured in the decline, we believe Pakistani enforcement efforts contributed substantially to the result.

Poppies are no longer grown in the "settled" areas of the Northwest Frontier Province under full central government control, and eradication efforts are gaining ground in the "merged" areas in transition from tribal authority or rule by former princes to full government control. The ban on opium poppy growing was extended to Buner in 1981 and continued to take increasing effect there in 1982. Enforcement in the Malakand Division is still spotty, however, and there is no enforcement in the tribal areas.

In addition, enforcement efforts by Pakistani authorities against drug trafficking have been increased quite considerably. In the Khyber Agency 27 heroin processing laboratories were surrendered during November–December 1982. Pakistani customs have stepped up their efforts to interdict heroin shipments. Nearly 1,500 kilograms of heroin were seized in 1982, more than three times the amount seized in 1981.

We are encouraged by this progress. While it is a good start, we recognize that much more needs to be done both in suppression of poppy growing and trafficking. The Pakistan Government knows how seriously the United States takes the opium/heroin problem. Attorney General Smith made this clear when he visited Pakistan in November. President Reagan emphasized our concern about narcotics to President Zia during his visit here last September. President Zia has acknowledged that Pakistan has a serious domestic addict problem and publicly declared his serious concern about it. In conversations with President Reagan and other senior officials during his visit Zia said that we must cooperate to deal with this problem that harms Pakistanis as well as Americans.

Senator SARBANES. Does the progress that you refer to involve primarily the continued growing of opium, or does it also address the question which Senator Moynihan alluded to, and which may be the more critical one, of a significant amount of stored opium, in other words, an available supply; he was saying that even if there

were no further growing we would confront this problem over a rather extended period of years.

Does the progress you refer to address the second as well as the first?

Senator BOSCHWITZ. The second should include the processing of it also that Senator Moynihan spoke about.

Mr. VELIOTES. It is my understanding that there has been progress across the board starting with the recognition at the highest levels of the Pakistani Government that this is a problem which is a Pakistani problem as well as an international or an American problem. It flows from that that there has been more cooperation actually on the ground in attempting to do something about this.

The figure that leaps readily to mind was 20 or 22 heroin- or morphine-based labs that were closed down I believe in the period shortly after the Attorney General visited Pakistan in the fall. There also is a program, I believe, which AID is responsible for which perhaps Mr. Greenleaf would like to address, which gets into the question of the actual growing of the opium and the question of substitute crops, as I believe—perhaps you might wish to address that now.

Mr. GREENLEAF. Should we do that at this point, Senator?

Senator BOSCHWITZ. Go ahead, as long as we are on the subject.

Mr. GREENLEAF. Just a quick comment, that, of course, AID's involvement is on the economic development side, and we work very closely with the Bureau for International Narcotics Matters of the State Department, which is basically responsible for the enforcement aspects that Assistant Secretary Veliotes just alluded to.

We do have in our program in Pakistan at the present poppy clauses included in a great number of our project agreements that potentially impact on the poppy growing sections of Pakistan which are by and large in the northwest frontier province.

These clauses, which vary from project to project depending on the situation, indicate that if any of the funds that are expended for these projects assist in any way in the development of opium, the project will be stopped and reimbursement will be required.

Point No. 2, we have underway in one of the tribal agencies of the northwest frontier a rural development project dealing with farmers who have in the past been growers of opium poppies. That project is underway as of this past year; we feel it will have an effect on people who have been in the opium-growing business in the past, or who potentially might be in the future.

The most important point I would like to make in terms of AID's activities, though, is the third one which pertains to a new project which we propose to mount this year in the Gadoon area of the northwest frontier. We believe that the Gadoon area is the source of approximately 25 percent of the opium poppies of the entire northwest frontier. In other words, we are going into what is probably the area of heaviest concentration in opium growing with a rural development project which we hope to obligate this year. And we have a fulltime narcotics development officer at post in Islamabad who is beginning to work on this.

Senator BOSCHWITZ. Is that Mr. Campbell?

Mr. GREENLEAF. No. This is a different gentleman.

Stan Samuelson, who was referred to earlier, is a State Department employee who was involved in the Malakand agency, a State Department-funded Bureau for International Narcotics Matters project which is in effect separate from AID, although we collaborate with them.

So we have a number of activities, the most ambitious and clearly the most difficult of which is this Gadoon area project which is approximately a $25-million project which we are putting together for this year in part as a result of the intense interest on the Hill that we pursue some direct activities in poppy-growing areas.

Just one last fact which has not been stated up until now. In my conversations with the Pakistani officials, as well as from my own visit to the northwest frontier, it is very clear that the Pakistanis are concerned about this problem because there is an increased problem with drug addiction in Pakistan itself. That is a point that we ought to mention: their response is not based simply on our pressure, but also on the recognition that the problem is increasing in Pakistan itself.

Senator BOSCHWITZ. I want to give you the assurance, Mr. Greenleaf, of this subcommittee, and I also speak with considerable ease for probably the great majority of my colleagues in the Senate that we do indeed have a very broad and continuing interest in this subject, and that we urge you on in your pursuit of reducing these poppies. I hope they do not crop up in another part of the region. As Senator Moynihan pointed out, it is like a brush fire. You put it out here and it starts up over there.

But clearly, whatever leverage we have, we should exercise; and we would like to have progress reports. As you hear something and learn something, and we will consider the amendment that Senator Moynihan has proffered.

Senator SARBANES. In that regard, Mr. Chairman, Senator Biden has requested that the record be kept open so that he may submit to our witnesses questions pertaining to this narcotics trade as it affects Pakistan.

Senator BOSCHWITZ. Without objection, so ordered.

Mr. VELIOTES. Mr. Chairman, thank you. I will continue with a summary of my remarks.

Our programs support objectives in the region which are vital to our own peace, security and well-being: a just and lasting Middle East peace, withdrawal of all foreign forces from Lebanon, and the reconstruction of that tormented country; safeguarding vital U.S. interests in Southwest Asia; resolution of the devastating war between Iraq and Iran; return of peace to an independent, nonalined Afghanistan with the withdrawal of Soviet military forces, and the return of 3 million Afghan refugees.

In advancing the Middle East process and resolving conflicts, friendly states must feel secure and confident of U.S. support. If we are to advance major U.S. national interests, we must provide the resources commensurate with the need to strengthen the economies and defense capabilities of key countries in this vital area of the world.

The levels and terms of our proposed assistance have been carefully developed within the constraints of our budget stringencies and the President's economic program, and are the amounts

needed to meet the essential requirements of the countries of this region.

Our fiscal year 1984 foreign assistance request for the Near East and South Asia will fund 6 major programs: $2.625 billion in foreign military sales guarantees for 8 countries, but mostly for Israel and Egypt; $1.095 billion in grant military assistance programs for 5 countries, including forgiven FMS credits for Israel and Egypt; $11.22 million in international military education and training for 12 countries; $1.817 billion in economic support funds for 7 countries, but mostly for Egypt and Israel; $269.8 million in development assistance for 6 countries, particularly in South Asia; and $588 million in Public Law 480 for 8 countries, mostly for Egypt and the countries of South Asia.

It is important to note here that the fiscal year 1983 continuing resolution fell substantially below the level of our request for the region, particularly regarding programs for Southwest Asian countries. The amount received is inadequate to meet our minimum security requirements in the area. Therefore, we are requesting a fiscal year 1983 supplemental of $251 million for Lebanon, and $205.5 million to make up shortfalls in the 1983 program for other Near East and South Asian countries.

Our highest priority continues to be furthering the Middle East peace process to bring about a just and lasting end to the turmoil that has engulfed and threatened this area for so many years. Israel and Egypt remain our principal partners in the quest for peace, and these two countries are the largest recipients to our proposed assistance for fiscal year 1984.

The $2.485 billion proposed for Israel is a tangible manifestation of this administration's adherence to our traditional policy of support for Israel's security and well being. Other countries such as Jordan and Lebanon require our strong support if they are to join the peace process.

Another priority area is the Southwest Asian Persian Gulf region, a critical source of energy to the free world, which is simultaneously threatened by the Soviets through Afghanistan and radical forces from within.

Our program is directed at supporting our efforts to bolster the security of countries, both in the region and enroute, which are crucial for U.S. access to and presence in the region in terms of crisis.

Almost all the countries from Pakistan in the east to Oman and Yemen and to Tunisia and Morocco in the west face serious economic problems and potential subversion or regional threats. All are important not only to our strategy for the security of Southwest Asia, but potentially to the prospects for peace in the Middle East as well. Many also face severe economic problems which must be addressed if they are to remain stable.

The stability and security of Pakistan is a key element in the security of this region, particularly as a frontline state facing Soviet aggression in Afghanistan. Our funding request for Pakistan reflects the continuing implementation of our 1981 agreement to provide Pakistan with $3.2 billion in economic and military assistance over a 6-year period.

This agreement, of course, is a general and tentative agreement subject each year to funding by the Congress. In South Asia there is a clear humanitarian need for assistance to countries which have low levels of per capita income, high population growth rates, and low levels of literacy. Bangladesh, India, Nepal, and Sri Lanka all have made commendable progress in economic development and investment in the future which we should protect with continuing assistance. Viable economies and stable political institutions are essential if South Asia is to continue to develop as a system of independent states capable of playing a constructive role in world affairs and in regard to the major areas of conflict on each flank.

To conclude, Mr. Chairman, we believe that all of the proposed levels are necessary and directly relevant to our major interest in this critical part of the world. Through our foreign assistance program we seek to assist friendly strategic countries in promoting the peaceful resolution of conflicts, strengthening their security, and providing a better life for their people. In the process we protect and promote vital American national interests throughout the region.

We remain committed to these objectives as crucial to the U.S. national interests, and the administration is convinced that the budget figures we are proposing for fiscal year 1984 are the minimum required for achieving these policy goals.

Thank you, Mr. Chairman.

[Mr. Veliotes' prepared statement follows:]

PREPARED STATEMENT OF HON. NICHOLAS A. VELIOTES

Mr. Chairman, Members of the Committee, I welcome this opportunity to appear before the Committee in support of the Administration's Fiscal Year 1984 Foreign Assistance request for the Near East and South Asia.

Secretary Schultz and Under Secretary Schneider, in recent testimony before Congressional Committees, have presented the overall policy guiding our foreign assistance programs for the region.

They stated that our security and economic assistance programs are designed to maximize the benefits to the national interests of the United States, by supporting a variety of foreign policy. Strategic and developmental objectives which are vital to our own peace, security and well-being.

The Administration's proposals reflect the realities of our foreign policy and national security objectives in this region, which for the past quarter century has threatened to place the United States in potentially serious world confrontation. In this context:

We are actively pursuing a just and lasting Middle East peace. Our policy flows from the President's initiative of last September which is based on U.N. Security Council Resolutions 242 and 338 and the Camp David Framework. Our immediate goal is the resumption of negotiations which will include a Jordanian delegation, hopefully with respresentative Palestinian participation. Those negotiations should result, first, in the establishment of a transitional regime on the West Bank and Gaza, and then in an agreement on the final status of those territories.

We are vigorously pursuing negotiations for the withdrawal of all foreign forces from Lebanon. Our objective is to restore Lebanese sovereignty and insure Israeli security. A peaceful Lebanon, free from all foreign forces and with a stable central government, will make a major contribution to Israeli security.

We are working with friendly countries to safeguard our vital interests in Southwest Asia.

We continue to emphasize our support, publicly and privately, for a peaceful, early resolution of the devastating war between Iraq and Iran on a basis which preserves the independence and territorial integrity of both countries. Continuation of the war endangers the peace and security of all nations in the gulf region, and in our view serves neither the interests of Iraq or Iran, nor does it serve any U.S. interest, or those of our allies.

We are searching for the return of peace for the suffering people of Afghanistan, which must be achieved in the context of the withdrawal of Soviet military forces, the restoration of Afghanistan's independence and non-aligned status, the right of the Afghan people to form a government of their own choosing, and creation of conditions which will permit the three million Afghan refugees to return to their homes with honor.

In our efforts to advance the Middle East peace process and to promote the resolution of conflicts elsewhere in the region, we recognize that the necessary spirit of accommodation can grow more easily if friendly states feel secure and confident of U.S. support.

Important steps have been taken to bolster the confidence of key countries in our commitment to their security. In a time of budget stringencies, we have, with considerable sacrifice, increased the national resources for our own military, to develop their capability to deter threats to the region.

We must provide the resources commensurate with the need to strengthen the economies and defense capabilities of key countries in this vital area of the world, if we are to advance major U.S. national interests.

The levels and terms of our proposed assistance have been carefully developed within the constraints of our budget stringencies and the Pesident's economic program, and are the amounts needed to meet the essential requirements of the countries of this region.

Our fiscal year 1984 foreign assistance request for the Near East and South Asia will fund six major programs: $3,625 million Foreign Military Sales Guarantees (FMS); and $1,095 million in grant Military Assistance Programs (MAP).

Including forgiven FMS credits for Israel and Egypt; $11.22 million in International Military Education and Training (IMET); $1.817 million in Economic Support Funds (ESF); $269.8 million in Development Assistance (DA); and $588 million in Public Law 480.

It is important to note here that the fiscal year 1983 Continuing Resolution fell substantially below the level of our request for the region, particularly regarding programs for Southwest Asian countires. The amount received is inadequate to meet our minimum security requirements in the area. Therefore, we are requesting a fiscal year 1983 supplemental of $251 million for Lebanon and $205.5 million to make up shortfalls in the 1983 program for other Near East and South Asian countries.

MIDDLE EAST PEACE PROCESS

Our highest priority continues to be furthering the Middle East Peace Process to bring a just and lasting end to the turmoil that has engulfed and threatened this area for so many decades. As events of the past year demonstrated, there are no quick and easy solutions for peace in the region, and resort to armed conflict remains an ever present danger. However, the tragic conflict in Lebanon may provide us with new opportunities to expand the peace process, as stated in the President's Middle East Peace initiative last September.

Israel and Egypt remain our principal partners in the quest for peace, and these two nations are the largest recipients of our proposed foreign assistance for fiscal year 1984. This assistance is aimed at ensuring their security and economic well-being as they continue to take risks in pursuing the peace process begun at Camp David. Other states critical to the peace process such as Jordan and Lebanon require our continued support if they are to attain the necessary political and economic confidence to join the peace process. Our program also seeks to encourage economic and social cooperation in the region.

In support of this critical peace effort we are requesting: $3,130 million in FMS, of which $1,000 million is forgiven; $1,570 million in ESF; $4.75 million IMET; $260.8 million in Public Law 480 funds; and $6 million in Development Assistance.

Israel.—Support for Israel's security and economic well-being has been a fundamental tenet of American foreign policy for the past 34 years. As we implement and expand the process of peace. Israel requires tangible evidence that the U.S. commitment to this process in no way reduces our commitment to Israel's continued security.

We must ensure that Israel maintains its technological edge in military capability in the region. At the same time we recognize that a strong economy is an essential foundation to Israel's security. Hence. The proposed $2,485 million fiscal year 1984 military and economic assistance package for Israel continues to be our largest bilateral aid program.

The $1,700 million FMS request for Israel includes $550 million forgiven credits. As further assurance for Israel's security, we have increased the FMS level by $300 million for fiscal years 1983 and 1984.

The proposed $785 million Israeli ESF program is to be all grant. This program provides funds on a cash transfer basis to support Israel's balance of payments. Thus, Israel can import essential civilian goods and services without overly heavy reliance on high cost commercial borrowing or drawing down foreign exchange reserves. The terms of our assistance were set after careful analysis of Israel's security and economic requirements.

Egypt.—Egypt remains the key to much of what we hope to accomplish in the Middle East. Our sustained support reflects our continued full partnership with Egypt in pursuit of peace in the region. The Mubarak government supports President Reagan's September 1, 1982 peace initiative, as well as our efforts to resolve the crises in Lebanon, and has called for PLO recognition of Israel. Egypt also shares our commitment to security and stability in the critically important Southwest Asia region in the face of encroachments by the Soviets and their surrogates.

The requested fiscal year 1984 FMS funding for Egypt of $1,300 million includes $450 million in forgiven credits. This is a strong affirmation of our long-term military supply relationship with Egypt. FMS for fiscal year 1984 will be devoted to progress payments on purchases made through 1983, follow-on support, and some start-up costs for programs initiated in 1984.

Equal attention must be paid to maintaining the growth of Egypt's economy and sustained expansion of key sectors of the country's infrastructure. Economic aid will include $250 million in Public Law 480 Title I and grant ESF of $750 million. The ESF program consists of up to $300 million in Commodity Import Program support and roughly $450 million in project and sector assistance. Emphasis will be on increasing agricultural and industrial productivity and rehabilitation and expansion of water and sewer systems in Egypt's major cities.

Lebanon.—Lebanon deserves our special consideration. I shall not dwell on the destruction in that country as the result of last year's conflict. We are all aware of those sad events. It is critically important for us now to demonstrate, in a concrete way, the United States' commitment to Lebanon's reconstruction and restoration as a sovereign and independent nation. Reconstruction of infrastructure is urgent and requires immediate ESF funding to help get projects underway before the fiscal year 1984 appropriations cycle can be completed.

For these reasons we have requested a supplemental for fiscal year 1983 of $150 million ESF, $100 million FMS Guarantees and $1 million IMET. The ESF level requested in the supplemental will be obligated throughout the remainder of fiscal year 1983 and in fiscal year 1984. We expect that the FMS and IMET will be obligated during fiscal year 1983. Therefore, no ESF is being requested for Lebanon for fiscal year 1984; only FMS of $15 million and $750 thousand in IMET funds.

The security needs of that war-torn country require our urgent attention. By assisting the Lebanese Armed Forces (LAF) to increase its capability, we are helping the central government reassert and extend its authority throughout the country. An increase in the effectiveness of the LAF in maintaining internal security will permit the eventual withdrawal of the Multinational Forces (MNF).

The FMS program will be supported by the slightly increased IMET program which will improve overall training of the LAF. Equipment and training needs of the LAF, while urgent, are paced by the availability of military manpower. FMS and IMET funds sought in the Supplemental are matched to the ability of the LAF to absorb them. Lower FMS and IMET levels are sought in fiscal year 1984 because the major LAF buildup should have been achieved by then.

ESF funds will be used primarily to rehabilitate and reconstruct basic infrastructure, such as potable water systems, telecommunications, and public health services, as well as for helping American institutions of higher learning in Beirut maintain their valuable, long-standing presence in the Middle East.

Jordan.—The proposed fiscal year 1984 security assistance program for Jordan consists of $115 million FMS guarantees and $20 million ESF.

Our assistance is important to Jordan's security and economic well-being, which is essential if that country is to gain sufficient confidence to enter the peace process at this critical juncture. Jordan plays a role in bolstering Gulf security and helped the Habib mission in Lebanon by receiving PLO fighters from Lebanon. Our strong support is crucial to Jordan's ability to continue to take steps of this kind in support of our shared objectives of furthering the peace process and enhancing regional security.

Jordan has an urgent requirement for more modern armament in the face of the vast Soviet resupply of hostile Syria, especially for air defense. FMS financing assists Jordan to acquire those items most critical to its legitimate self-defense needs.

ESF funds will aid the development of water and waste water systems, health programs, agricultural programs, and Jordan Valley irrigation projects, as well as provide development training. IMET funds enhance the professional capability of Jordan's armed forces and assure that Jordan can continue its training and advisory assistance role in the region.

Under the supplemental request for fiscal year 1983, Jordan would receive and an additional $35 million in FMS, for a total of $75 million FMS Guarantees.

Middle East Regional.—The regional program request for fiscal year 1984 consists of $6 million in Development Assistance, $15 million in grant ESF and $1.9 million for Public Law 480 Title II.

The ESF furthers the Middle East Peace Process by addressing objectives that cannot be met through conventional bilateral programs. Much of the program is focused on efforts to develop mutual understanding through collaborative research projects between Israel and Egypt and to sustain our development efforts in the West Bank and Gaza, areas of importance to the peace process. Development assistance provides continuation of a scholarship program at the American University in Beirut and the development of Near East assistance projects.

Under the fiscal year 1983 supplemental request, this program would receive an additional $2.5 million in ESF, for a total of $15 million.

SOUTHWEST ASIA/PERSIAN GULF

The Southwest Asian/Persian Gulf region, a critical source of energy to the free world, is simultaneously threatened by the Soviets through Afghanistan and radical forces from within. Our program is directed at supporting our efforts to bolster the security of countries both in the region, and en route, which are crucial for U.S. access to and presence in the region in times of crisis. Almost all of the countries, from Pakistan in the East, to Oman and Yemen, and to Tunisia and Morocco in the West, face serious economic problems and potential subversion or regional threats from Soviet proxies. All are important, not only to our strategy for the security of Southwest Asia, but, potentially to the prospects for peace in the Middle East as well. Many also face severe economic problems which must be addressed if they are to remain stable. Through our assistance, we must provide tangible evidence of the concern we share about the threat to the security of this region.

For those Near East and South Asian countries that are part of this crucial region we are requesting: $495 million in FMS guarantees; $95 million in MAP; $47 million in DA; $247 million in ESF; $106.3 million in Public Law 480; and $5.8 million in IMET funds.

Pakistan.—The security and stability of Pakistan is a key element in maintaining stability within South and Southwest Asia. Our renewed security relationship with Pakistan derives from that country's position as a frontline state facing Soviet aggression in Afghanistan. In addition to the direct threat this aggression poses to Pakistan's security. It has created the largest single refugee problem in the world with over 2.8 million Afghan refugees flooding into Pakistan over the past 3 years. Pakistan has been extremely generous and forthcoming in granting long-term first asylum to these refugees and providing a major share of the resources to care for them.

We are proposing for Pakistan $225 million in ESF ($75 million in loans and $150 million as grant), $300 million in FMS guarantees, $50 million in Public Law 480, and $800,000 in IMET for fiscal year 1984. These amounts reflect the continuing implementation of our 1981 agreement to provide Pakistan with $3.2 billion in economic and military assistance over a 6-year period, subject, of course, to Congressional appropriation. This agreement was reached after extensive consultations with the Congress.

Our economic assistance to Pakistan is designed to: strengthen that country's capacity to sustain self-generating internal development over the near and longer term; meet the country's short and medium-term foreign exchange needs through quick disbursing activities; and encourage and support economic adjustments that will help restore long-term stability to Pakistan's balance of payments. Where feasible, we are using program resources to develop economic alternatives to opium production and to induce the Government of Pakistan to tighten enforcement of the ban on poppy cultivation. Our development projects focus on agriculture, rural development, energy, private sector development, water management, population and

health, and programs for the underdeveloped areas of Baluchistan and the Northwest Frontier Province.

The FMS and IMET components are designed to assist Pakistan to achieve a minimum level of military modernization necessary to meet its legitimate defense requirements, specifically those arising from the changed strategic situation in the region resulting from the Soviet invasion of Afghanistan. The modernization of Pakistan's armed forces to be supported by FMS financing will be relatively modest, consisting primarily of replacement of obsolete equipment.

The economic and military components of our security assistance program—by promoting economic growth and stability and helping to meet minimum defense requirements—combine to strengthen Pakistan in its stand against Soviet expansionism in the region. We believe that strengthening Pakistan's conventional military capacity will enhance its security and may help remove the underlying incentive for the acquisition of a nuclear weapons capability.

Under the supplemental fiscal year 1983 request, Pakistan would receive an additional $75 million in FMS Guarantees, for a total of $275 million FMS. The Administration believes every effort must be made to provide the $75 million and thus bring FMS up to proposed levels for fiscal year 1983. Based on our 1981 understanding, the Pakistanis have made obligations to U.S. defense contractors which for fiscal year 1983 alone exceed $550 million. If targeted levels are not reached, the Pakistanis will be hard pressed to meet their obligations. Moreover, we are at an early, sensitive stage of our renewed relationship with Pakistan. A significant shortfall at this time would severely complicate efforts to build a credible relationship with the Government of Pakistan which is essential to accomplishing our strategic objectives.

Morocco.—For Morocco we propose $19 million in Development Assistance. $34.5 million in Public Law 480, $7 million in ESF, $30 million in MAP, $60 million in FMS credits and $1.7 million in IMET. This continuing level of support reflects the serious economic difficulties that Morocco faces, as well as our support for that country's military modernization program.

Strategically located, Morocco has a long record of cooperation with the United States. The Government has consistently taken moderate pro-western positions on issues of mutual concern and its moderation also extends to its internal policies. Our relations with Morocco have been strengthened over the past year, with several exchanges of high level visits and the agreement by Morocco to provide transit access.

The Development Assistance program contains a significant allocation for expanded efforts in rainfed agriculture, as well as programs for family planning, nutrition and resource development. After agreement with King Hassan in May 1982, we are proposing the beginning of an ESF program for Morocco in fiscal year 1984. To augment the Development Assistance program, $7 million ESF is being requested.

As a key country in North Africa, it is in our interest to see Morocco maintain a suitable level of military preparedness. The FMS credits will help finance completion of more sophisticated defense systems, including air surveillance equipment, anti-armour weapons, and will purchase spare parts and services for previously supplied U.S. equipment. IMET funding will provide increased training opportunities for Moroccan military personnel directly related to the ongoing modernization program of the Moroccan armed forces.

Tunisia.—Tunisia, a friend of the United States and a force for moderation in the Arab world, is vulnerable to Qadhafi's adventures and looks to us for tangible support against Libya and other radical influences in the region. For this moderate, strategic country, we are requesting $90 million in FMS, $50 million in MAP, $1.7 million in IMET and a total of $11.1 million in Public Law 480.

Although we do not intend to obligate any new Development Assistance funds or ESF to Tunisia, programs funded earlier will continue to operate for several years. We will also support Tunisian development through a Public Law 480 program aimed at improving the stagnant agricultural sector.

The security assistance, substantially the same level requested last year, will permit funding of a minimal needed defense capability in the form of F-5 interceptor aircraft, M-60 tanks, Chaparral missiles, and perhaps lesser equipment. IMET funds will provide accompanying technical and professional training for members of the Tunisian military. The $50 million MAP in fiscal year 1984 will enable the Tunisian Government to make essential improvements in its military without adversely affecting the country's economic development.

Under the fiscal year 1983 supplemental request, Tunisia would receive an additional $43 million in FMS and $30 million in MAP, for a total of $105 million in FMS Guarantees and $35 million in MAP.

Oman.—For Oman, we are requesting $45 million in FMS guarantees, $100 thousand in IMET, and $15 million in ESF.

By providing modest military and economic assistance, we demonstrate that we are prepared to support the very real security needs of this strategic country which shares a common border with Soviet-backed South Yemen, and which has granted the U.S. access to military facilities.

Our military facilities in Oman are crucial to any effort to halt aggression in the Gulf area. Our FMS program provides funds to assist the modernization of Oman's armed forces so that they would have the means to help defend these facilities.

In an effort to broaden our relationship with Oman beyond its security aspects, the United States-Oman Joint Commission was established in 1980 in conjunction with the facilities access agreement. We provide $5 million a year in ESF grants to fund the operation of the Joint Commission, feasibility and design studies, technical assistance and training. A $10 million ESF loan program has thus far concentrated on water resources and is programmed in fiscal 1984 for school construction.

Under the fiscal year 1983 supplemental request, Oman would receive an additional $10 million in FMS, for a total of $40 million FMS Guarantees.

Yemen.—For the Yemen Arab Republic (YAR) we propose $28 million in Development Assistance, $15 million in MAP, $1.5 million in IMET and $3 million Public Law 480 Title I.

The YAR concluded a ceasefire with Marxist-led guerrillas last summer, but the threat of outside military aggression persists. In addition, Yemen, one of the poorest nations in the region, experienced a destructive earthquake in December, and is facing a reduction in remittance from Yemen's workers in the oil producing gulf states. It requires substantial assistance to cope with its economic problems.

Development Assistance will continue a series of programs designed to meet basic human needs. MAP assistance is required because the YAR is increasingly reluctant to utilize funds which would add to its medium-term debt burden.

Under the fiscal year 1983 suplemental request, Yemen would receive an additional $6 million in FMS credits, for a total of $10 million FMS, and $4 million in MAP, for a total of $5 million MAP.

SOUTH ASIA

In South Asia, there is a clear humanitarian need for assistance to countries which have low levels of per capita income, high population growth rates, and low levels of literacy. Bangladesh, India, Nepal, and Sri Lanka, all have made commendable progress in economic development, an investment in the future which we should protect with continuing assistance. Viable economies and stable political institutions are essential if South Asia is to continue to develop as a system of independent states capable of playing a constructive role in world affairs and in regard to the major areas of conflict on each flank. India, which is a significant trading partner, and other countries in this region, are clearly important to broader U.S. strategic interests.

We propose in fiscal year 1984 for South Asian countries $217 million in Development Assistance, $230 million in Public Law 480 and $670,000 in IMET. This program remains essentially at the same levels as fiscal year 1983 both on a regional and a country basis.

India.—For India in fiscal year 1984 we are proposing $86 million in Development Assistance, $105.4 million in Public Law 480 Title II, and $200,000 in IMET. Though small in terms of India's requirements, our aid is one tangible and valuable way in which we demonstrate the U.S. desire to maintain constructive ties with this large, powerful and democratic nation. India is a key nation in a region of the world important to U.S. strategic interests. Its influential role as spokesman of the developing nations will be enhanced when it takes over the chairmanship of the Nonaligned Movement this March.

The aid program directly and indirectly supports the joint efforts to improve bilateral relations through a variety of ways, including the initiatives aimed at enhancing commercial, scientific, and technological cooperation announced at the time of Prime Minister Gandhi's visit last July. The strength of our bilateral relationship can help modify the impact of differences between us and the Indians on regional and international issues.

Bangladesh.—For Bangladesh we are proposing $77 million in Development Assistance, $65 million in Public Law 480 Titles I and III, $28 million in Public Law 480 Title II, and $225,000 in IMET. Economic development and political stability are inextricable linked in Bangladesh. A nation born in turmoil and struggling with severe political and economic difficulties. Bangladesh is seen as a moderating influ-

ence in the Third World and is often in agreement with us on international issues of importance. Our assistance program has evolved from emergency relief to long-term development, which we hope can foster stability and encourage civilian representative rule.

Sri Lanka.—For Sri Lanka we are proposing $40.3 million in development assistance, $31 million in Public Law 480 and $150,000 in IMET. Sri Lanka is strategically located astride the major trade routes of the Indian Ocean and offers access for U.S. Navy Vessels. Our economic development program serves to demonstrate strong U.S. support for this non-aligned and democratic nation. The recently re-elected government favors a market-oriented, free enterprise economic philosophy. Sri Lanka plays an important and constructive role in international fora and the non-aligned movement. Our assistance contributes to the stability of the country. Its continuing adherence to democratic values and human rights, and the success of a pragmatic path to economic development.

Nepal.—For Nepal we are proposing $13.5 million in Development Assistance, and $95,000 in IMET. Nepal forms an important buffer between India and China. U.S. interests center on its strategic location and on our resultant interest in Economic progress in this least developed among nations and the evolution of orderly political institutions. We value our relations with this moderate non-aligned country, which has made important contributions to U.N. peacekeeping efforts in the Middle East.

CONCLUSION

To conclude, Mr. Chairman, we believe that all of the proposed levels are necessary and directly relevant to our major interests in this critical part of the world. Through our foreign assistance program, we seek to assist friendly strategic countries in promoting the peaceful solution of conflicts, strengthening their security, and providing a better life for their people. In the process, we protect and promote vital American national interests throughout the region. We remain committed to these objectives as crucial to U.S. national interests, and the Administration is convinced that the budget figures which we are proposing for fiscal year 1984 are the minimum required for achieving these policy goals.

Senator BOSCHWITZ. Our next witness is Mrs. Antoinette Ford, Assistant Administrator for AID for the Near East. She has also been in the Near East recently, and I note also that she has been in my home State of Minnesota recently. She is a former business executive and is aware of the importance of oversight and inspection, so her visits are particularly timely.

Mrs. Ford, I notice that you have quite a long statement. I wonder if you also would summarize it, and we will submit it in its entirety for the record, and I will review it this evening or tomorrow or over the weekend.

STATEMENT OF W. ANTOINETTE FORD, ASSISTANT ADMINISTRATOR FOR THE NEAR EAST, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mrs. FORD. Thank you very much, Mr. Chairman.

I am very pleased to be able to join Assistant Secretary Veliotes in supporting the request for the Near East countries of the region for which we speak this afternoon. And I have submitted for the record a table which summarizes the administration request for those countries.

Senator BOSCHWITZ. Since the AID programs in that part of the world are also quite expansive, rather than just accept that as the totality of your testimony, Mrs. Ford, I would appreciate it if you would review some of the nations, starting with Egypt, and the progress we are making there with our AID grants-in-aid.

Mrs. FORD. I would be very happy to, Senator.

What I would suggest is that I can give you the request by country, and then if you have specific questions that you would want me to respond to, I would be more than happy to.

Senator BOSCHWITZ. We would like to know the progress of the AID program in Egypt, what is being done in Egypt, the larger parts of the program, and whether or not there is still some of the slowness that has been noted in that program in earlier years.

I believe I recently read that a large amount of money was considered to be wasteful. I forget who testified about that. But we would like some greater specificity than just a 30-second overview.

Mrs. FORD. Our request for Egypt for 1984 is for $750 million. Fiscal year 1982 was disappointing in terms of expenditures. I had projected in my testimony last year, before a subcommittee on the House side that our pipeline had peaked at $2.5 billion in the Egypt program. This did not occur.

When we found out that expenditures were lower than expected, I sent a letter to the subcommittee saying that our projections had been inaccurate. The pipeline today is at $2.7 billion, so it did go up last year.

The commodity import program expenditures in fiscal year 1982 were $145 million below the level in fiscal year 1981. That was primarily due to negotiations that we entered into with the Egyptian Government, and those negotiations were directly related to our initiative in strongly encouraging the Egyptians to raise interest rates. We were successful in doing that, but it took longer than we assumed. That was one reason that disbursements were held up.

I believe the changes made as a result of these discussions, however, were worth the temporary delay in disbursements.

While project expenditures reached a new high in fiscal year 1982, $355 million, we had hoped for even more. The uncertain environment following President Sadat's assassination, as well as successive changes in the cabinet; that is, in the Egyptian cabinet, slowed decisionmaking in the Egyptian bureaucracy, and therefore, did have an indirect impact on our rate of implementation.

We seriously project for fiscal year 1983 that our expenditures will reach $867 million and exceed new obligations for the first time. I recognize I am saying that rather emphatically—but that is on purpose—because we have in conjunction with the Egyptian Government and in conjunction with our staff in Cairo, taken a very serious and close look at these projections to see in what directions we can take our program that will insure that the pipeline has peaked and will now decline.

I accept that this target sounds very ambitious. Barring a calamity, we should be close to the target level.

I want to add very quickly for the record that for the first quarter of fiscal 1983 we have hit $216 million in expenditures, and that is precisely on target. If we can keep that pace, we will get there.

Many of our large construction projects that took 3 to 5 years of planning and design are now under full implementation.

I am also pleased to be able to announce that we have U.S. contractors mobilizing in Cairo to carry out two additional major construction jobs. A number of our capital and technical assistance projects are being completed or are nearing completion, and it is

these types of activities that we can point to and identify as AID accomplishments.

Senator BOSCHWITZ. I wonder if you would summarize—the largest program certainly is Egypt, by far. I wonder if you could summarize the activities of AID as they are going on and projected in Lebanon as well.

Mrs. FORD. Certainly, I would be very happy to, sir. As you are aware, the supplemental request in Lebanon is for $150 million. In Lebanon priorities have been identified by the Lebanese Government, and where we have a capability and the resources to assist, we will do so. Those priorities include infrastructure, the telecommunications area, water and sewage, health and capital equipment.

I just recently returned from Lebanon, where I reviewed some of the ongoing activities and our staff's involvement to date. We have identified areas where we can assist in the Government of Lebanon to strengthen its own internal technical and management capability, such as being able to provide assistance to CDR [Council for Development and Reconstruction], their planning arm. It is these types of areas where we feel that our funds will be of most assistance.

In addition to the $150 million supplemental request, what we have done to date in our program there under the fiscal year 1982 emergency $50 million was to provide emergency relief through UNICEF and ICRC, to repair damaged housing, to rehabilitate the telephone system in Beirut and to repair war damage to major educational institutions like American University Beirut.

[Mrs. Ford's prepared statement follows:]

PREPARED STATEMENT OF W. ANTOINETTE FORD

Mr. Chairman and Members of the Committee, I am pleased to be here today to support the President's request for economic assistance for countries in the Near East region. The President is requesting $1,645 million, comprised of $1,592 million for Economic Support Funds (ESF) and $53 million in Development Assistance funds. Attached to this statement, which I am submitting for the record, is a table which summarizes the Administration's request. Under a separate appropriation, $219.6 million in Public Law 480 Titles I and II is planned for countries in the Near East.

The Administration's goal—as stated in the President's initiative last September—is to help bring a just and lasting peace to this crisis torn area. In this context, our economic assistance programs are designed to help bolster the efforts of those governments which are undertaking major policy risks on the road to peace by addressing some of the pressing economic and long term development problems which these countries face. Certain of our programs are directed at helping those countries in the region which provide important access or transit facilities into the region for U.S. forces and support their deployment in time of crisis to defend strategic United States in the region. Through our support of long term economic and social development as well as economic stabilization and emergency reconstruction efforts in Lebanon, AID helps strengthen the perception that the United States is dedicated to the security and economic well being of all friendly states in the area.

EGYPT

For fiscal year 1984, we are requesting $750 million under the Economic Support Fund, the same level as in fiscal year 1983. In addition, $267.5 million is planned under Public Law 480—$250 million under Title I and $17.5 million under Title II. We are proposing that the resources to be made available under the Economic Support Fund be provided as grants, as Congress has provided since fiscal year 1981. Public Law 480 Title I resources would be provided as loans payable over a period of 40 years, including a 10-year grace period. Interest on the loans would be 2 percent during the grace period and 3 percent thereafter.

The program of economic assistance to Egypt which we are requesting for fiscal year 1984 continues to be built around three central objectives: stability, productivity, and equity. The main components of the Economic Support Fund program are:

A $300 million Commodity Import Program to help assure the availability of essential materials and capital goods for Egyptian industries and development programs and consumer items needed by the populace.

$200 million to support the Government of Egypt's new and ambitious 5-year plan for improving water and sewerage infrastructure, particularly in the greater Cairo and Alexandria metropolitan area and in the cities bordering the Suez Canal.

$102 million in incremental funding for decentralization activities. These funds will be allocated among the Basic Village Services, Provincial Cities, Neighborhood Urban Services, and Decentralization Support Fund sub-activities included in the Decentralization Sector Support program.

$45 million for industry in the form of additional credit, especially medium and long term, for investment, and equipment to expand pollution control in the Nile Valley and Delta areas.

$25 million to expand successful ongoing small farmer agricultural credit and irrigation management projects.

$63 million to continue and expand ongoing health, population, and education programs.

$10 million for technology transfer through an ongoing project in energy policy and planning and renewable energy.

$5 million for a new project emphasizing long term workforce planning and priority training.

The proposed fiscal year 1984 program reflects a year of extensive discussions with the Egyptian Government about the focus, structure, and flexibility of the U.S. economic assistance program and the nature, timing, and pace of Egyptian economic reforms. The program responds to the priorities of the Government of Egypt's new 5-year plan and the Government's request that a larger share of U.S. economic assistance planned for Egypt be concentrated in water and sewerage infrastructure, agriculture, and industry. The proposed program avoids investments in areas where they might negatively impact on the pace of economic reforms.

Before proceeding to elaborate on the impact of our past assistance and our fiscal year 1984 request I would like to comment briefly on the current state of the Egyptian economy and the economic measures being taken by the Egyptian Government. In our April 1982 report on the Egyptian Economy and Debt Repayment Prospects we noted the downturn in world economic conditions and the likely adverse effects this would have on the Egyptian economy. In light of the expected continuation of these conditions, the report outlined policy measures the government might consider to enable the economy to adjust without detriment to the country's development program. The report suggested measures: (1) to encourage non-oil exports; (2) to attract external capital through exchange and interest rate adjustments; and (3) to lessen demand growth by reducing budget deficits.

Our latest report, submitted to the Congress in February 1983, confirms that the adverse effects anticipated in our earlier report have in fact occurred. In contrast to the 27 percent average annual growth in foreign exchange earnings from 1976 to 1980, the value of both merchandise exports and service receipts declined in 1982. Lower foreign exchange earnings forced a nominal decline in imports, especially capital equipment purchases. A precipitous drop in imports and in consumption levels was avoided only by a decline in Egyptian import prices. Despite lower imports, the current account, balance of payments deficit is estimated by AID to have increased by $1 billion to $3.5 billion. The overall deficit is thought to have exceeded $1 billion and was financed largely by short-term borrowing. The impact of the lower foreign trade level is not yet reflected in data on domestic output, as domestic demand was sustained by a budget deficit equivalent to nearly 20 percent of gross domestic product in the Egyptian fiscal year 1981/82 and projected to exceed that in the 1982/83 fiscal year. Budget deficits are fueled by extensive subsidies on food and other basic goods, which absorb 30 percent of central government revenues. Domestic energy prices, despite modest increases in 1982, remain low, representing on average only 20 percent of their international values, are resulting in capital and energy intensive investments being favored over labor intensive industries which would provide employment for Egypt's rapidly growing labor force. Despite recent increases, farm gate prices remain too low to encourage the farmer to take full advantage of new technologies which would significantly increase his yields. Imports now account for nearly 50 percent of Egypt's food consumption. A policy framework which minimizes price distortions and leads to competitive production for the do-

mestic and export markets consistent with Egypt's comparative advantage remains an essential requirement for self-sustaining growth.

Over the past year we have had a series of discussions with Egyptian officials on how ESF resources might be used to support important economic reforms which the Government has determined are necessary. Discussions began with the visit of President Mubarak in February 1982, continued during the year with separate discussions of former Deputy Administrator Joseph Wheeler, myself, and Administrator McPherson in Cairo, in addition to regular consultations carried out by the Country Team in Egypt, and most recently with the visit of President Mubarak and several of his key Ministers here in Washington in January 1983. These discussions have resulted in a clearer understanding of the economic problems faced by the Egyptians.

President Mubarak has encouraged open discussions of economic issues and the government is taking some steps to raise prices of highly subsidized items, to allow interest rates and foreign exchange rates to more nearly reflect market conditions, to encourage foreign investment, and to give more attention to the productive sectors—agriculture and industry. For example, during the past year:

Lentils, fava beans, margarine and soap were removed from the list of commodities sold at subsidized prices;

Interest rates on Egyptian pound deposits were raised in a move designed to increase savings;

The range of consumer items imported by the Government at the undervalued official foreign exchange rate for sale through government stores was reduced;

Electricity rates for residential and low and medium voltage business consumers were increased an average of 10 percent, and rates for two large industrial plants (aluminum and fertilizer), which together are responsible for one-fifth of national electricity consumption, were increased 50 and 60 percent respectively;

In the industrial sector, implementing regulations for a new companies' law were issued. This law extends to new Egyptian private sector investments the range of investment incentives available to Law 43 joint venture undertakings. Together with other administrative changes, this brought a notable increase in investment applications and approvals.

In the agricultural sector, the Government raised prices paid farmers for wheat, rice, corn, fava beans, soybeans, sugar cane and cotton between 5–20 percent and consolidated research and extension functions as recommended by both the BIFAD extension team and the Presidential Mission.

Nevertheless, as elaborated in our report on the Egyptian Economy and Debt Repayment Prospects, much remains to be done to adjust to new economic conditions. AID remains sensitive to and supportive of structural adjustment requirements. For example, while we have an electricity generating project (Ismailia Electric Power Plant) in the budget for fiscal year 1983, we have not definitively decided to go forward with this project. The Egyptian Government is currently reviewing its energy price policies. Until this process is completed it is premature to speculate whether the resulting policies will provide the appropriate framework for support of additional power investments.

In addition to recent agreement on areas of concentration of our assistance, the past year has also produced some programmatic changes in response to the Statement of Principles issued during President Mubarak's February 1982 trip.

We are providing sector, rather than project, assistance whenever appropriate (examples include the Decentralization Sector Support Program in fiscal 1982 and a broad sector support program covering comprehensive agricultural research and extension requirements planned for fiscal year 1983);

We incrementally fund, rather than fully fund, projects whenever possible to keep obligations more in line with the rate of expenditure of a project;

Last year we began high level, bi-annual portfolio reviews with the Egyptian Government to help resolve implementation problems.

The Egyptian Government has requested that as much as $450 million of our assistance be allocated annually to the Commodity Import Program (CIP). We are proposing a more modest level since about two-thirds of our assistance already is provided in quick disbursing forms (e.g. CIP and Public Law 480 Title I programs) which support balance of payments objectives. We agree with the conclusion of this subcommittee's staff trip report that the CIP should not be allowed to dominate the program at the expense of other worthwhile economic and social development investments.

I will turn now more directly to the progress of our AID program.

In spite of the fact that last year I predicted expenditures would exceed new obligations in fiscal year 1982, and that didn't happen, I believe that the pipeline has now peaked at $2.7 billion.

Fiscal year 1982 was a disappointing year in terms of expenditures. CIP expenditures in fiscal year 1982 were $140 million below their level in fiscal year 1981, primarily because of negotiations with the Egyptian government on credit term policies. I believe the changes made as a result of these discussions were worth the temporary delay in disbursements. While project expenditures reached a new high in fiscal year 1982, $355 million, we had hoped for even more. The uncertain environment following President Sadat's assassination and successive changes in the Cabinet slowed decision making in the Egyptian bureaucracy and, therefore, the rate of implementation.

We project that in fiscal year 1983, expenditures will reach $867 million and exceed new obligations for the first time. I accept that this target sounds high. However we have made a special effort to assure that the expenditure projections are realistic. Barring a calamity, we should be close to the target level. In fact, expenditures during the first quarter of fiscal year 1983 were $216 million, right on target.

Many of our large construction projects are now under full implementation after years of planning and design. I am pleased to announce that since your visits in November 1982, U.S. contractors now are mobilizing in Cairo to carry out two additional major construction jobs under the Cairo Water and Cairo Sewerage programs.

Indeed a number of our capital and technical assistance projects are completed or nearing completion, making the impact of U.S. assistance increasingly widespread and visible to the average Egyptian. Other continuing projects are already producing important results. A short list of these activities includes the following:

The steam power facility at Ismailia is nearing completion and will add another 450 megawatts. The first unit start-up is scheduled for early 1983, with the second in mid 1983, and the third in mid 1984. This project is on target and on budget. Two gas turbine stations were previously completed in the industrial areas of Helwan and Talkha which added 300 magawatts of power to the grid.

A $100 million project to construct the Suez Cement Company plant, capable of producing a million tons of cement a year, should begin production in mid-1983. A second plant at Quattimaya, ($95 million) should be completed one year later.

Construction and computer installation of the new, fully automated National Energy Control Center at Embafa ($43.5 million) was completed in mid 1982. Final hook-up to the national grid is underway.

Since 1980 nearly $80 million in ESF grant funds plus $45 million in Title III funds have been disbursed for activities in the Decentralization Sector Support Program. More than 1900 water, sewerage and other service activities have been completed or are well underway in nine rural governorates and five urban centers. The program will expand to 21 rural governorates during 1983. Decentralization activities also are spurring new or expanded private sector contracting and service activities.

A program to rehabilitate irrigation canals through provision of canal maintenance equipment ($19 million) is nearing completion. All equipment is under procurement, and the hydraulic dredge maintenance equipment has arrived in country and is in use. Delivery of all equipment is expected to be completed by June 30, 1983.

Significant yield increases have been achieved in field trials of the $47 million Major Cereals project during the 1981/82 crop seasons. 6,742 farmers working on 6,021 feddans produced an average 2.46 MT of wheat per feddan (about one acre), 47.3 percent higher than nearby controlled plots and 60 percent higher than the national average. Maize demonstration plots on 6,000 feddans yielded an average 2.93 MT per feddan, 52 percent higher than controlled plots and 60 percent above the national average. Sorghum demonstrations plots on 500 feddans yielded an average 2.66 MT per feddan, 64 percent above control group plots. Soybean demonstration plots on 2,000 feddans yielded an average 1.49 MT per feddan, 27 percent greater than those plots in the control group.

A careful blend of farm management and credit practices in the Small Farmer Production Project has resulted in tomato yield increases from 6 MT a feddan to 14 to 22 MT per feddan in Sharkiya Governorate. Pest control efforts on eggplants are yielding increases of 35 percent. The GOE has waived production quotas and mandatory cropping patterns for farmers participating in this project. The resulting significant production increased realized by participating farmers are providing an opportunity for the government to gauge the serious disincentives to agricultural production posed by present price policies and production controls. In achieving these results, participating farmers have been willing to pay the substantially higher

credit interest rates called for in this project (8 percent versus 4 percent in Government controlled quota and mandatory cropping pattern programs).

Other bright spots include:

The rapid take-off of our Basic Education program, which is expanding access to primary schooling, particularly for females in rural areas. Begun in August 1981, 1100 classrooms have been put to bid, actual construction begun on 717, and the first 18 classrooms (2 schools) were completed in December 1982. We'd like to note that we are supplying practical instructional materials to these and other primary schools through the CIP;

The Peace Fellowship program, after somewhat of a slow start, which is now in full swing with 704 participants currently enrolled in post-graduate programs in the United States; and

The family planning program which is very active in both governmental and private sectors, and which has received public support from President Mubarak. There is some uncertainty about what precisely is happening to the rate of population growth: the Egyptian government recently announced that population growth declined from nearly 3 percent in 1980 to 2.54 percent in 1982 while other non-Egyptian agencies are estimating a less rapid decline. However, after several years of increasing population growth rates, the trend is clearly one of slower growth rates.

Progress in certain other areas has been less than we or the Egyptian Government had hoped. The Helwan Housing project continues to be marked by slow progress due to a variety of factors including troublesome soil conditions and inadequate Egyptian project management. Certain complex construction projects, in particular those involving grain silos and water and sewerage infrastructure, have been confronted with contractor coordination and manpower availability issues. To alleviate these problems, greater use of turnkey contracts with U.S. construction firms is being utilized. Three large projects receiving funding in fiscal year 1982, organized on a turnkey basis, were the Rehabilitation of Aswan Turbines, Grain Silos II, and Cairo Water activities.

Another area where progress has been far more limited than desirable is our private sector portfolio. The Private Investment Encouragement Fund, provided for in 1979, is still not operational. Expenditures under the Development Industrial Bank project have lagged behind expectations. However, the private sector program has recently shown signs of renewed vitality.

The Private Sector Feasibility Studies project finally is moving forward due to the interest in promoting foreign investment shown by the new Minister of Investment and International Cooperation. After only a couple of months in office Minister Shindy has effectively gotten this activity on track. Of the 37 investor applications for cost sharing that have been received, decisions have now been made on 35. Our Mission is working closely with Minister Shindy on ways to invigorate other existing projects and to structure a more effective private sector program.

In conclusion, we believe that the economic assistance program to Egypt is maturing. Most projects have moved into full-scale implementation. Intensive management attention is being devoted to those that are not. We are more attune to Egyptian priorities and requirements. Our Egyptian colleagues have become more familiar with AID procedures and limitations. Discussions over the past year have resulted in a strengthened partnership and a renewed conviction that the economic assistance program to Egypt is improving the lives of large segments of the Egyptian populace.

ISRAEL

Our fiscal year 1984 request is for $785 million in grants from the Economic Support Fund. This is the same level Israel has received in previous years. ESF resources combined with the proposed FMS program is a strong demonstration of U.S. support for Israel and one which is intended to provide Israel the security needed to take the risks associated with further steps toward peace in the Middle East. As in the past, the ESF cash transfer program will be implemented on the assurance from Israel that it will continue to import non-defense foods from the United States in an amount at least equal to the cash transfer level and that Israel will follow agreed procedures for selecting dry bulk carriers to ship grain. These procedures were developed with a view toward assuring a share of the market for U.S. flag carriers.

Israeli economic performance in 1982 was somewhat disappointing. High defense expenditures, continued efforts to maintain a high level of social services and economic security while avoiding any increase in unemployment and the prolonged recession in Western Europe and North America were major causal factors. While final statistics are not available, it appears that economic growth stagnated in 1982

in contrast to a real growth rate of 4.6 percent in 1981. However, per capita domestic consumption grew by 7 percent. The inflation rate increased to 131.5 compared to 101.5 percent in 1981 and a record rate of 132.9 percent in 1980. Exports declined by 7 percent while imports grew. The non-defense goods and services deficit for 1982 was probably in the range of $2.5 to $2.8 billion in comparison to a $2.2 billion level for 1981. However, since Israel's foreign exchange reserves at the end of December 1982 increased by $294 million from a year earlier, it is clear that net capital inflows—foreign investment, commercial borrowing and aid—were more than sufficient to finance the current account deficit and the amortization of Israel's external debt.

The net impact of the war in Lebanon on Israel's overall economic performance is not expected to be large. Of course, the conflict did entail expenditures which had not been foreseen. These are estimated to have been in excess of $1 billion. However, the Government responded by taking a number of measures which were designed to generate additional revenues and to spread the cost of the war over a 3 year period.

Despite economic policy reforms adopted in 1982 and prior years, Israel's basic economic problems continue. These problems are triple digit inflation and disequilibrium in the balance of payments. The challenge is to resolve these problems without sacrificing the economic well-being of the Israeli people as reflected in the high level of social and economic development of the country and low rate of unemployment. Achievement of these objectives requires continued priority to export expansion while holding growth in domestic demand to moderate levels, constraints on monetary expansion and careful scheduling of military equipment purchases so that they do not unduly exacerbate existing economic pressures. Given realistic economic policies, the anticipated economic upturn in Western Europe and North America, and continued support from private donors and the U.S. Government, the Israeli economy should remain viable and dynamic.

Based upon on current circumstances, it is the Administration's view that the proposed aid level and terms are adequate to meet Israel's requirements without creating the need for unduly burdensome economic adjustments in Israel and without leading to a serious debt problem.

JORDAN

In fiscal year 1984 we are requesting $20 million under the Economic Support Fund for Jordan, of which $7 million will be repayable loans with maturities of 20 years, a 5-year grace period, and 5 percent interest. These resources will be used to support priority development programs in a country which plays a moderating role in the Arab world and which has been positive in its response to President Reagan's September 1, 1982 peace initiative. While Jordan's level of per capita income ($1,600 per year) places it in the ranks of middle income countries, its need for external resources is greater now than a year ago. Jordan continues to be highly dependent upon foreign assistance to finance its ambitious development plans and with the sluggish demand for and declining prices of oil, some Arab donors have slowed or reduced their assistance to Jordan. Remittance from Jordanian workers abroad have also begun to level off. Through 1981 Jordan was maintaining an overall balance of payments surplus and expansion of gross domestic product was an impressive 7.6 percent. With meager natural resources, Jordan's successes are attributed to government policies which encourage a dynamic private sector and to a skilled and hard working labor force.

The fiscal year 1984 program will continue the transition begun in 1982 away from capital infrastructure projects toward technical assistance and technology transfer projects which stress institution building as the best means to make a qualitative American impact with a relatively small assistance program. AID assistance will help create Jordanian capacities to provide safe water and controlled sewerage to growing urban population while exploiting and conserving its very scarce water resources; substantially increase crop productivity on irrigated farmlands; simultaneously attack the health problems of mothers and children while increasing public awareness of Jordan's overriding population growth problem; promote the transfer of appropriate technology; and launch a new in-country program to accelerate the development of critically scarce management skills.

LEBANON

AID is deeply engaged in a reconstruction effort in strife-torn Lebanon but because the requirements must be met on an urgent basis, funding was requested in the form of a fiscal year 1983 supplemental. It is important for the United States to

be able to make a tangible demonstration of its commitment to Lebanon's reconstruction and, thereby, help galvanize the support of European and Arab donors as well as multilateral institutions. For these reasons, program requirements which might have been requested in the fiscal year 1984 budget have been covererd by the special supplemental request.

MOROCCO

For fiscal year 1984 we are requesting $19 million in Development Assistance funds and $7 million under the Economic Support Fund for Morocco. In addition, under a separate appropriation, we are requesting $25 million under Public Law 480 Title I and $9.8 million for the Title II program. The substantially increased economic assistance reflects the fact that Morocco, as a long-standing friend to the United States, is faced with a deteriorating economic situation marked by a growing trade deficit, increasing external debt and very difficult domestic financial problems.

More specifically, real gross domestic product declined 1.3 percent in 1981 and 4.1 percent in per capita terms. Virtually all sectors of the economy declined during 1981 led by a 23 percent drop in agricultural production attributed to the drought. In 1982, it appears that real growth advanced by 7 percent, sparked by a 30 percent growth in agriculture. However, the agricultural recovery is again in doubt since the 1982/83 winter harvest may be seriously affected by drought once again. The mining sector remains essentially flat because of continuing softness in export markets for phosphates. Overall, while GDP per capita fluctuates year to year, it appears to be essentially stagnant. While we do not have final figures for the 1982 balance of payments the prospect is distressing with a stagnant export sector, a growing import burden, increasing debt service requirements, and some possible reductions in assistance from Arab donors.

Morocco's requirement for a high level of wheat imports, a stagnant agricultural sector and high rural underemployment has led AID to a strategy which concentrates on two priorities—increasing food production on rainfed lands and reducing the rate of population growth. AID's agricultural strategy combines Development Assistance funding, Public Law 480 Title I local currency sales proceeds and ESF in an integrated program to promote investment in rainfed agriculture. The principal component of AID's population strategy is to help the government to deliver basic health services combined with family planning education and commodities on a wide scale. AID also provides modest levels of support for renewable energy activities targeted on rural areas which lack conventional energy supplies and for a participant training program, both university level and in-country, for government personnel including both regional and local officials.

OMAN

In fiscal year 1984 we are requesting $15 million under the Economic Support Fund for Oman of which $5 million would be in the form of grants and $10 million in loans. The loan funds are repayable in 20 years with a 5-year grace period and 5 percent interest per annum. In 1980 the United States agreed to establish a Joint Commission with Oman through which modest levels of economic assistance would be channeled to respond to the Omani desire to broaden our bilateral relationship beyond mutual security concerns in the area. Oman's high per capita income is based almost entirely on its oil wealth and obscures the fact that the overall level of economic development is low. The modernization process is only a little more than a decade old and the country has spent large sums of money on creating the basic physical infrastructure upon which to launch effective development programs. Oman will require technical assistance for many years to implement development programs which will meet the needs of its people.

The fiscal year 1984 grant funds will support the work of the Joint Commission—now staffed and operational—feasibility studies and technical assistance including further support for the fisheries and participant training projects, the former which began in fiscal year 1982 and the latter which is expected to begin in fiscal year 1983. The $10 million loan may be used to support the further expansion of the schools construction project which the Joint Commission intends to initiate in fiscal year 1983.

YEMEN ARAB REPUBLIC

We are requesting $28 million Development Assistance grants for Yemen in fiscal year 1984 and, under a separate appropriation, $3 million in Public Law 480 Title I to finance wheat flour imports.

Despite several years of rapid domestic economic growth Yemen still ranks as one of the world's poor countries, particularly in terms of quality of life indicators. Beginning in the latter half of the 1970's real gross domestic product expanded at a rate between 8-10 percent per annum, fueled primarily by the growth of remittances from Yemenis working abroad and foreign assistance, principally from Arab donors. While the figures are not entirely reliable, it is clear that the trend in working remittances and Arab assistance donor assistance is generally down. Some estimates would have remittances declining from a high of about $1.5 billion in 1979 to as low as $700 million in 1982. These economic trends coupled with a growing trade deficit and devastating earthquake on December 13, 1982 in Dhamar Province—which reportedly killed or injured 5,000 people and left up to 400,000 homeless—strongly suggest that the Government of Yemen will not be able to implement its ambitious development schemes as previously planned.

Aside from some agricultural potential Yemen's natural resources are meager. Yet there is a reasonable prospect that by building up the physical infrastructure, creating institutions, mobilizing its human resources and further encouraging a dynamic private sector that it will be possible to achieve substantial improvements in the quality of life for Yemeni citizens. In this context the AID strategy places particular emphasis on institutional development, human resource mobilization and appropriate technology transfer while other donors, particularly the Arabs, emphasize capital intensive construction. Our strategy is manifest in our portfolio of projects which address a wide range of agricultural problems, through a long term, U.S. University, Title XII endeavor with the Ministry of Agriculture; a similar collaborative assistance project in education which will improve primary education and teacher preparation; and a broad based participant training project to introduce needed technical and managerial skills into governmental and private institutions. The portfolio also includes significant projects addressing health service delivery in the Tihama, the poorest area of the country, village based development activities—particularly water supply projects, and a new effort to train health care workers in family planning education. All elements of the AID program are heavily laden with the technical assistance and training which will help Yemen to achieve productive growth, increase employment and income, and address some of the basic needs of its people particularly in the areas of education and health.

REGIONAL ACTIVITIES

In addition to these country programs we are requesting $6 million in Development Assistance grant funds and $15 million in grants under the Economic Support Fund for projects which primarily impact on the Middle East.

The Development Assistance grants will finance the continuing scholarship program at the American University of Beirut ($3 million) which will cover the full financing of 50 new students, project design and evaluation work (about $1 million) for Middle East development assistance programs, and five continuing projects (about $2 million). These include family planning activities in those countries which do not have bilateral population programs, the National Technical Information Service project, a project to stimulate private enterprise development, a program of small projects in collaboration with the Peace Corps, and technical assistance to the Arab Center for the Study of Arid Zones and Drylands.

Our request under the Economic Support Fund will sustain our development efforts in the West Bank and Gaza ($7 million) which are implemented by American voluntary agencies and address needs in the areas of vocational and higher education, community development, land reclamation, improved water storage and agricultural cooperative marketing, etc. In addition, $7 million is requested to finance cooperative scientific, technical and other activities of mutual interest to Israel and its Arab neighbors and $1 million is required for project development and support activities, primarily project design and evaluation services, related to the development of ESF country programs.

Thank you Mr. Chairman, I would be pleased to answer any questions you and members of the Committee may have.

NEAR EAST PROGRAM SUMMARY

[In millions of dollars]

Middle East	Fiscal year—		
	1982 actual	1983 estimated	1984 proposed
Egypt—ESF	771.0	750.0	750
Israel—ESF	806.0	785.0	785
Jordan—ESF	15.0	20.0	20
Lebanon—ESF	6.0	[1] 150.0	.....
Morocco—DA	11.7	11.8	19
Morocco—ESF	.....	.....	7
Oman—ESF	15.0	15.0	15
Tunisia—ESF	5.0	5.0	.....
Yemen—DA	23.3	28.1	28
DA regional activities	4.4	5.2	6
ESF regional activities	11.1	[2] 15.0	15
(Regional cooperation)	(4.1)	(7.5)	(7)
(West Bank/Gaza)	(6.0)	(6.5)	(7)
(Project Dev./support)	(1.0)	(1.0)	(1)
Total Near East	1,668.5	1,785.1	1,645
ESF	1,629.1	1,740.0	1,592
DA	39.4	45.1	53

[1] Supplemental appropriation covering fiscal year 1983 and 1984.
[2] Includes $2.5 million supplemental request.

Senator BOSCHWITZ. Mr. Greenleaf, why don't you summarize the AID programs in South Asia?

STATEMENT OF CHARLES W. GREENLEAF, JR., ASSISTANT ADMINISTRATOR FOR ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. GREENLEAF. I have a statement which I will summarize.

Senator BOSCHWITZ. We will include the statement in the record.

Mr. GREENLEAF. The funding request for South Asia includes $217 million in development assistance for Bangladesh, India, Nepal and Sri Lanka. It also includes $225 million in economic support funds which are entirely for Pakistan, and $306 million for Public Law 480 food aid in these five countries. The resources for the South Asian countries represent approximately three-quarters of the entire budget request for the bureau which I head, the Bureau for Asia.

The program will continue to address our mandate from Congress to meet the basic human needs of the rural poor of the Asian countries. And we believe that absolute poverty can only be eliminated by increasing the productivity of the poor.

Our program is designed with that objective in mind, and accordingly, we devote resources to specific basic human needs efforts in such fields as agriculture, health, population, training, energy, and others.

The proposed 1984 program is being designed with continued attention to the developmental emphases of this administration, which are essentially four: First, policy reform; second, an emphasis on private enterprise solutions where possible; third, technology transfer; and fourth, the building of institutions in these developing countries.

I can go over some individual country numbers if you would like and would be happy to answer any questions that you might have.

Senator BOSCHWITZ. Why don't you do that briefly, and start with Pakistan. I notice that we have included for Pakistan $50 million in Public Law 480, title I, food, which is the concessional loan title.

Mr. GREENLEAF. That is correct. That is in addition to the $225 million request for ESF.

Senator BOSCHWITZ. The ESF being entirely a grant?

Mr. GREENLEAF. No; it is two-thirds grant and one-third loan, and that is true throughout the 6-year program. As you know, this was the agreement that Assistant Secretary Veliotes mentioned that was signed in 1981 for 6 years.

Senator BOSCHWITZ. And it is also the concessional loan.

Mr. GREENLEAF. That included, in addition to the ESF program, the overall 6-year program for Public Law 480.

Senator BOSCHWITZ. The Pakistanis are having a pretty good year agriculturally, as I understand it, which I also understand, is causing us some problems with China. Why are we giving them $50 million in Public Law 480 title I loan this year.

Mr. GREENLEAF. Well, of course, this agreement was signed 2 years ago. It is entirely for edible oil imports and it was felt at that time, and I think basically it is generally felt at the present time, that that is an area where they needed some help, even though they have had a reasonably good year. I do not have the absolute figures here, and I would be glad to provide them for the record. But that was an agreement that was signed for a 6-year period back at the time of the original agreement.

[The information referred to follows:]

PAKISTAN'S AGRICULTURAL PRODUCTION

The agriculture sector contributes about 30 percent of Pakistan's GDP, employs over half the workforce, and provides, directly or indirectly, over half of export receipts. During PFY 1981-82, agricultural production increased by 3.0 percent, short of the 5.1 percent target and down from the previous year's 4.0 percent.

Despite positive developments in agricultural output in recent years, Pakistan's average agricultural yields remain low by world standards. One of Pakistan's most serious agricultural problems is a major shortfall in the production of oilseeds. Thus in PFY 1981-82, Pakistan had to import $334 million in edible oils. This huge import bill—which is projected to grow at a rate of about 15-percent—represents a considerable balance of payments drain.

Thus, in an effort to assist Pakistan in this area, our new 6-year aid program includes $300 million in Title I food aid: $50 million a year to finance the importation of edible oils from the United States.

Senator BOSCHWITZ. I did not realize that Public Law 480 was signed that prospectively.

Mr. GREENLEAF. I beg your pardon?

Senator BOSCHWITZ. I did not realize that Public Law 480, the concessional loans——

Mr. GREENLEAF. All of these programs are subject to congressional approval on an individual, yearly basis. We are presenting our proposal for 1984 to you and your colleagues today. But that was the basic package that was discussed, and Administrator McPherson represented the United States, as well as the Ambassador.

Senator BOSCHWITZ. As a realistic matter, while we might have something of a veto, once you enter into a 6-year extended agree-

ment, either concessional loans, grants, or whatever, it is rather hard to stop in the middle unless we do it for some reason, for instance, the growing of poppies and the ravage that that causes in our own country.

Go ahead.

Mr. GREENLEAF. Those are the basic numbers for Pakistan.

Senator BOSCHWITZ. And Sri Lanka, what are we doing with our money in Sri Lanka? They have had quite a high degree of success there.

Mr. GREENLEAF. Yes, we have. For fiscal year 1984 we are requesting $40 million in development assistance, and approximately $30 million for Public Law 480. There is no ESF program in Sri Lanka, and most of the funds are being spent in rural development, agriculture, and specifically in the northeast corner of that island country, for our contribution to a very large international development effort in what is referred to as the Mahaweli River Basin, which runs through an area of the country that is very dry and unproductive.

A number of years ago the government decided that it wanted to develop this area by building a series of dams and other agricultural development projects, in which we and the World Bank and a number of other countries have participated. The vast bulk of our funds has been involved not only in assisting with the capital construction in that area, but also in the kinds of areas where we have a particular expertise in the downriver development—irrigation, agricultural development.

In a nutshell, Senator, that is the main emphasis of the program in Sri Lanka.

The request for India is $86 million development assistance, $123 million Public Law 480. Nepal is a much smaller program, $13.5 million for development assistance; a $1.5 million for Public Law 480 title II under the World Food Program. Bangladesh, development assistance $77 million, and approximately $93 million for Public Law 480. Those are the five countries in my part of the portfolio that we are discussing today.

[Mr. Greenleaf's prepared statement follows:]

PREPARED STATEMENT OF CHARLES W. GREENLEAF, JR.

Mr. Chairman and members of the subcommittee; I appreciate the opportunity to testify in support of the Asia Bureau's request for fiscal year 1984, with emphasis on South Asia.

The funding requested for South Asian countries includes $217 million in Development Assistance for Bangladesh, India, Nepal, and Sri Lanka; $225 million in Economic Support Funds for Pakistan; and $306 million for Public Law 480 Titles I, II, and III food aid. These resources for South Asia represent nearly three-quarters of the entire Bureau for Asia request in these funding categories, partly because of the considerable political importance of the region, which other witnesses will address more fully, and partly because as the World Bank notes, "Half of the people in absolute poverty live in South Asia."

Consequently, the AID program is designed to help cooperating countries eliminate the causes of pervasive poverty in order to increase individual well being, facilitate national and regional political stability, reduce international narcotics traffic, preserve U.S. access to strategic imports, and promote U.S. exports and investments.

The AID Program focus is to address our mandate from Congress to meet the basic human needs of the rural poor in the Asian countries. We believe absolute poverty can only be eliminated by increasing the productivity of the poor. Our pro-

gram is designed with that objective in mind, and, accordingly, we devote resources to specific basic human needs in such fields as agriculture, health, population, training, energy, and others.

The proposed 1984 program is being designed with continued attention to the development emphases of this Administration:

Greater emphasis on economic policy reform. We will join with international and other bilateral donors to encourage improved macroeconomic policies. The AID program itself will impact most heavily on policies at the sectoral and project levels. Examples include administrative and policy changes in the rural finance sector of Bangladesh and better management practices pertaining to irrigation systems in India.

An emphasis on private enterprise solutions to develop problems in agriculture, health, and population, education and energy. Actual funding of activities with a "private enterprise" designation will be relatively small, with emphasis on technical assistance and experimental approaches.

Technology transfer and institutional development as means to help build the capacity of Asian LDC's to deal more effectively with issues of economic growth and the alleviation of poverty.

In Agriculture, Rural Development and Nutrition our priorities are in irrigation and water management; strengthening agriculture research, extension and educational systems; rainfed resources management, including uplands and secondary crops, agro-forestry and watershed management, and creation of off-farm employment through promotion of private sector agribusiness and small/medium enterprises. In Health, the priorities are to increase access to effective, affordable health services and to strengthen institutions, especially in order to reduce infant mortality. The Population program calls for broad program support of national delivery systems for family planning services. We intend to maintain levels of assistance to governments and PVO's engaged in family planning.

PAKISTAN

For fiscal year 1984 we are requesting $225 million in Economic Support Funds and $50 million in Public Law 480 Title I food aid. This represents the third tranche of the new package of economic and food aid for the period fiscal year 1982–87 which we negotiated with the Government of Pakistan in 1981. Pakistan's role as a "front line" state is well known, and our economic support is clearly designed to bolster its capacity to withstand pressures arising from the Soviet invasion of Afghanistan. Our assistance effort is nonetheless organized around serious and much needed development programs which will stimulate growth and alleviate poverty.

Pakistan's economy recorded its fifth successive year of rapid growth during Pakistan fiscal year 1981–82 (July 1–June 30). Real GDP increased by 6 percent, with the agricultural sector growing by 3 percent and industrial output by 12 percent. In agriculture, the 3 percent growth rate was less than projected due to a shortfall in wheat production. In industry, major increases in production of fertilizer and refined sugar led the sector's buoyant performance, but prospects for the future are clouded by the private sector's cautious attitude toward new large-scale investment. The government continued its cautious monetary and fiscal policies in Pakistan fiscal year 1981–82; monetary growth was held to 11 percent, the official inflation rate was reduced to 12 percent, and, despite a shortfall in revenues, the budget deficit was financed without recourse to excessive levels of domestic bank borrowing which would have threatened adherence to IMF ceilings. The balance of payments deteriorated in the wake of world recession, low commodity prices, a shortfall in workers' remittances and the effects of an overvalued rupee, but the projections for fiscal year 1982–83 envisage a significant improvement. The Government's development program for the next few years reflects a shift in public sector priorities from industrial projects and subsidies to infrastructure investments in agriculture and energy.

Although the growth in agricultural value added in fiscal year 1982 was below the average 4 percent per annum of the previous 4 years, the performance of the sector had several encouraging features, and foodgrain self-sufficiency was maintained. Except for wheat, all major crops reached record output levels. While delayed rains at planting and excessive rains at harvest affected the wheat crop, output was only marginally below fiscal year 1981's record level, due largely to improved water management and the more widespread use of mechanical threshers; the vulnerability of the sector to the vagaries of weather appears to have decreased.

Pakistan has the highest annual population growth rate in Asia (3 percent) and almost double the world average. This fact has severely limited Pakistan's ability to

improve the quality of life of its poor, and unless the trend is modified, will prevent the country from achieving its economic and social goals. Nevertheless, despite severe cultural and political constraints, the GOP is determined to confront the problem and has approved a multi-year Population Welfare Plan which responds realistically to the causes of past shortfalls. The population plan is now in the early stages of implementation. The initial steps taken by the Government to reorganize field services and train staff for the program augur well for the future; however, a sustained and consistent approach will be required over a prolonged period of time to bring about any significant change in demographic trends.

The overall objectives of our assistance are to provide Pakistan with urgently needed short-term balance of payments support and to stimulate the country's long-term economic and social development. Our 20 on-going and planned development projects are heavily concentrated in the agriculture, population, health and energy sectors with special initiatives in private sector development and narcotics reduction. The main beneficiaries of our assistance are the rural poor. The main goals of our assistance are to increase agricultural production and raise rural incomes, improve rural health services, reduce population growth rate, increase energy production, increase the role of the private sector in Pakistan's economic development, and to contribute to a reduction in the production of illegal drugs from Pakistan to the United States.

In conformance with the purposes of Section 126 of the Foreign Assistance Act (the Gilman Amendment) AID is giving priority attention to efforts aimed at curtailing poppy cultivation and opium production in Pakistan. The U.S. is encouraging the Government of Pakistan (GOP) to enforce its legislation banning the cultivation, possession, sale and use of opium poppies. AID is providing assistance in the poppy-growing areas of the country, in order to provide viable economic alternatives to those Pakistanis currently engaged in illicit narcotics cultivation and production. Specific AID narcotics related activities include:

Authorization in fiscal year 1982 of a $15 million rural development project in the Tribal Areas of the North West Frontier Province (NWFP).

The design in fiscal year 1983 of a $20 million area development project in another major poppy-growing area of the NWFP (Gadoon).

The inclusion of so-called "poppy clauses" in most of AID's new country-wide rural development, agriculture, irrigation, rural electrification, and energy projects. (Plus an overall written commitment from the Government of Pakistan that none of AID's new assistance will be used in any way that might contribute to illicit narcotics production).

Close collaboration with the Department of State's International Narcotics Matters (INM) staff in the design and implementation of INM's rural development project in the Malakand Agency of the NWFP.

The establishment of a full-time U.S. narcotics project management officer on the staff of USAID Islamabad.

INDIA

In fiscal year 1984 we are requesting $86 million in Development Assistance and $123 million in Public Law 480 Title II food assistance through the voluntary agencies. These maintain current levels of support, with a slight reduction in Public Law 480 Title II.

India is a major economic and political force in South Asia—a critical factor in the peace and stability of the region. Our overall policy toward India, reinforced by Mrs. Gandhi's recent trip to the United States, is to conduct a cordial high-level dialogue on issues of regional and global concern, with a view to enhancing mutual understanding in areas where our views differ, and to cooperation in areas of mutual interest such as economics and commerce, science and technology, and education and culture. In this context, the AID program represents a U.S. commitment to India's continued progress in economic development.

Despite a decade of rapid economic growth and a well managed economy, India faces a difficult economic year in 1982–83. A poor monsoon and continued power shortages adversely affected agricultural production and industrial growth, resulting in little or no growth in GNP. Given a favorable 1983 monsoon, the rate of economic growth could rise to 4–5 percent again. The dramatic 50 percent increase in domestic oil production (in 1981–82 over the previous year) combined with lower international oil prices should ease the pressure on the balance of payments. As the world economy recovers from recession, Government export incentives should help India take advantage of rising international demand. The Indian economy will have

to make up the ground lost this year, however, before it can resume the strong performance registered in 1980–81.

Balance of payments problems, distortions engendered by past economic policies, population pressures, and growing resource scarcities pose fundamental policy choices for the Government. In response, it is gradually liberalizing its economic controls to mobilize the private sector and generate greater economic growth.

The Government of India is vigorously expanding its primary health care system, including family planning services, and support for other factors influencing adoption of a small family norm, such as raising rural employment, better water and sanitation, and elementary education. Despite some set-backs in the mid-1970's, the program has regained its momentum. Through long-term efforts India has achieved a population growth rate of 2.2 percent and crude birth rate of 36 per thousand.

India remains a country with large numbers of very poor people. U.S. assistance programs are designed to help India overcome its persistent problem of poverty through technological and institutional change. The fiscal year 1984 program emphasizes:

Improved management of irrigation systems, support for water management institutions, and increased emphasis on agricultural research. The combination of better use of water, increased food production and enhanced rural employment is the key to poverty reduction in India. These efforts will exceed three-fourths of the proposed fiscal year 1984 DA funding.

Expansion of rural energy supplies and strengthening of forestry institutions. Expansion of fuel oil supplies is critical to rural energy and the environment.

Marketing and commercial dissemination of family planning supplies.

Upgrading nationwide nutrition programs, including those utilizing U.S. donated food under Public Law 480.

Public Law 480 Title II commodities to PVOs to increase food supplies to children and other vulnerable groups, and to promote agricultural development.

BANGLADESH

For fiscal year 1984, we are requesting $77 million in DA, $27.8 million in Title II and $65 million in Title I/III for Bangladesh. In addition to maintaining our humanitarian concern for the people of Bangladesh, the AID program supports the U.S. foreign policy objective of stability in the South Asia region and orderly economic development. Good relations between the United States and Bangladesh which are promoted by our assistance provide an atmosphere favorable to cooperation on international questions and to a continuing dialogue on economic development policies. AID will continue to support a process of policy reforms in Bangladesh.

Since late 1981, Bangladesh's economy has been in a recession due to poor harvests and a decline in the jute demand. Lagging rural incomes and a consumer demand, a decline in public and private investment and a reduction in the overall level of resources available to the economy have characterized this recessionary period. Reduced exports have led to a worsening balance of payments situation, cushioned only by a recession-induced decline in demand for imports by the Bangladesh industrial sector.

In March 1982 the Martial Law Administration assumed control from a largely ineffectual civilian government. During the ensuing year, the government has taken a number of politically difficult measures to reinstate fiscal discipline and mobilize domestic resources: reducing subsidies, encouraging growth in the private sector, improving efficiencies in production, and revising the Development Budget to bring it in line with expected funding availabilities.

Although Bangladesh enjoyed a long-term trend of increased foodgrain production during most of the 1970's, major crops have been damaged by drought since 1981. The result has been a decreasing of foodgrains. In a society with severe malnutrition this is an alarming trend. Foodgrain stocks at the end of June 1983 will be about 25 percent below the 1.2 million MT level recommended by AID to ensure foodgrain security—despite substantial food aid from the United States and other donors.

The 94 million population of Bangladesh is currently growing by 2.5 percent annually. The Bangladesh Government recognizes rapid population as its number one development problem and has placed a high priority on its national family planning program. Use of contraceptives by eligible couples, while still low, increased from 12.1 percent in 1979 to 18.6 percent in 1981.

AID assistance strategy is aimed at reducing fertility, increasing foodgrain production, generating rural employment, and augmenting rural energy resources.

In fiscal year 1984, AID will support the Bangladesh family planning effort with commodities, participant training, local cost financing for voluntary sterilization, a wide range of community-based family planning projects of non-governmental organizations, and a highly successful contraceptive retail sales program.

In the agriculture sector, the AID program will promote research, increased farmer access to agricultural inputs such as fertilizer, greater private sector participation in the distribution of inputs, and improved agricultural policies affecting foodgrain pricing and marketing. The latter is the subject of Public Law 480 Title III as well as the Development Assistance effort. A new Rural Finance project will emphasize savings mobilization, loan administration reform and economically viable interest rates to improve access to credit for agriculture and rural industries. The Title II Food for Work project will remain AID's primary vehicle for providing seasonal off-farm employment.

SRI LANKA

For fiscal year 1984 we are requesting $40.3 million in Development Assistance, $26.0 million in Public Law 480 Title I, and $4.7 million in Title II grant food assistance. The United States strongly supports Sri Lanka as a democracy concerned about the welfare of its people, and which is committed to sound, market-oriented growth policies. We note and appreciate Sri Lanka's moderate role in the non-aligned movement, its open port policies for our naval vessels, and its hosting of a VOA regional transmitter. While non-aligned, Sri Lanka is a friend of the United States.

Economically, 1982 was a difficult year. A serious drought reduced agricultural production while constraints on the capital budget slowed the pace of development. In spite of this, GDP grew by 5 percent and unemployment remained steady at 15 percent, down from a high of 24 percent when the present Government took office. We expect that 1983 will continue to be difficult, with potentially high government deficits and inflation. The IMF is currently working with the government to formulate a structural adjustment program. The recently re-elected, democratically-oriented government is trying to balance short term imperatives with medium-term growth needs. It is emphasizing export promotion to rectify its balance of payments difficulties, but its new programs in this area will take time to achieve results.

The food security situation in Sri Lanka has improved greatly over the past few years. A major Government objective, rice self-sufficiency, might well have been achieved in 1982 had it not been for the drought. Government programs over the past few years have improved irrigation, agricultural inputs (including better rice seed), and the purchasing and marketing of rice crops. The major 1982 drought caused only about a 10 percent decline in rice production as a result. The government is continuing to invest in irrigation, and now is moving to stimulate major food crops other than rice. It also is emphasizing improvement of its plantation crop production and exports to pay for that food such as wheat which the country expects to import for the foreseeable future.

Sri Lanka's population growth rate of 1.8 percent per annum is one of the lowest in Asia. However, the rate of natural increase is much higher, around 2.2 percent. The difference in rates is due to the significant, but likely temporary, levels of international out-migration. Thus, population remains a concern for the Government which has gone firmly on record as favoring family planning. The government health delivery system has tended to emphasize permanent methods of birth control. However, there is increasing interest in a greater emphasis on child spacing which we endorse and stand ready to support if requested.

AID's program in fiscal year 1984 is aimed at expanding food production, increasing the country's capacity to generate and increase incomes, and improving human productivity and well being. The major emphasis will be irrigation and water management, including support to the Accelerated Mahaweli Development Program. The United States and other donors have been helping Sri Lanka to finance this major irrigation and area development program, which will greatly expand Sri Lanka's food production possibilities. The U.S.-financed portion will provide for settlement of 22,000 families. A second major element will be to support the upgrading of preventive health services.

NEPAL

We are requesting $13.5 million in Development Assistance funding to help meet humanitarian and development needs in Nepal.

Agricultural production shortfalls due to drought this year have stalled economic growth—food production has declined 15 percent as has production of agro-based in-

dustries. Growth in the non-agricultural sectors has been mixed due to inflation. Export earnings declined due to the agricultural shortfalls while import costs continue to rise.

Population growth at an annual rate of 2.6 percent continues to be the critical development problem facing Nepal. This high rate of increase reduces the gains being made in other areas and exacerbates Nepal's already serious environmental problems. AID's program focuses on population and health problems both at policy and service delivery levels, environmental problems in two major watersheds through a resource conservation project, and on agricultural production through an integrated area development project supplemented by a package of on-going agriculture-specific projects. Complementing these major efforts are a radio education project to train teachers via radio broadcasts and a Private Voluntary Organization Co-Financing project which supports PVO's working in agriculture, health and education. All these activities encompass key elements of manpower training, appropriate technology and institution-building. This outlines our assistance program in South Asia, where our resources join with domestic and other donor efforts in programs of technology transfer, institution building, private enterprise support, and policy reform. The end of these programs is not yet in sight, but their benefits certainly are. And those benefits are directed at a full half of the world's absolutely poor people.

Thank yor for the opportunity to appear before you today. I look forward to answering your questions.

Senator BOSCHWITZ. I will read your testimony, and perhaps we will have some other questions for you which I will submit in writing.

Senator Sarbanes, do you have any questions?

General Gast?

STATEMENT OF LT. GEN. PHILIP C. GAST, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY, DEPARTMENT OF DEFENSE, ACCOMPANIED BY LESLIE BROWN, DEPUTY DIRECTOR, POLITICO-MILITARY BUREAU, DEPARTMENT OF STATE

General GAST. Sir, I have no prepared statement for the record. I subscribe to those made by Assistant Secretary Veliotes and would be prepared to answer any questions.

Senator SARBANES. Mr. Secretary, I am interested first in your statement where you say that the fiscal year 1983 continuing resolution fell substantially below the levels of your request for the region.

The amount received is inadequate to meet our minimum security requirements in the area. Therefore, we are requesting a fiscal year 1983 supplemental of $251 million for Lebanon, and $205 million to make up shortfalls in the 1983 program for other Near East and South Asian countries.

I do not find any record of a request for Lebanon in fiscal 1983. I do not see how you can say, therefore, that your request would make up for a cutback, because I do not see the initial request. I thought the Lebanon request was made subsequently. I can understand why it is included in a supplemental I take no issue with that, except for the point here that the continuing resolution, which fell below your request for the region, created this problem with respect to the Lebanese money.

Mr. VELIOTES. You are absolutely correct, Senator. The way that reads is misleading. A Lebanese supplemental was decided upon after the continuing resolution. We made a decision to wait and make our final decisions to present to the Congress at this time.

Senator SARBANES. OK. So you are really making a request for us to consider in a supplemental.

Mr. VELIOTES. Yes, sir.

Senator SARBANES. How is the $205 million distributed on the shortfalls?

Mr. VELIOTES. It is essentially FMS and it is $75 million for Pakistan. We had asked for $275 million; we got $200 million. I believe there is $35 million for Jordan. We had a considerable cut in the Jordan program and we had to apportion the continuing resolution. For Tunisia, $73 million total, broken up between MAP and FMS guaranteed loans; $6 million FMS for Yemen and $10 million FMS for Oman. And an ESF [economic support fund], for Middle East regional of $2.5 million.

Senator SARBANES. What was the amount given for Tunisia in the previous year?

Mr. VELIOTES. In 1982, in fiscal year 1982 it ended up as a total of $95 million FMS, sir.

Senator SARBANES. For Tunisia?

Mr. VELIOTES. For Tunisia.

Senator SARBANES. You are requesting $73 million FMS for Tunisia in the supplemental? Is that right?

Mr. VELIOTES. Yes, sir. Of which $30 million is MAP and $43 million is FMS guaranteed loans.

Senator SARBANES. And that is on the assumption that how much was appropriated to Tunisia under the continuing resolution?

Mr. VELIOTES. The allocation for Tunisia under the continuing resolution was $62 million FMS and $5 million MAP. The Tunisians had come to us a couple of years ago on the basis of a perceived enhanced threat from Libya, which we agreed with. And they asked us to help them with their modernization program. As I recall, the major component in that was F-5's, and some M-60 tanks.

We agreed at that time that this was a demonstrated need. We have most recently——

Senator SARBANES. Just so you understand where I am going, and I do not mind laying it out here, I am not questioning the substance of the Tunisian request. In fact, I imagine that on looking carefully at it, I will be supportive of it. I am trying to ascertain how you allocate with a continuing resolution amongst the countries, and then on what basis it is you include certain countries in the supplemental request and other countries not in the supplemental request.

Now, in effect, I gather what you did is you actually gave Tunisia less in your allocation than Tunisia had received the year before.

Mr. VELIOTES. Yes, sir.

Senator SARBANES. Were there countries that were given more in your allocation than they had received the year before and, therefore, are not included in the supplemental?

Mr. VELIOTES. Yes, sir. Morocco, for example. Moroccan money was earmarked.

Senator SARBANES. Beyond that?

General GAST. The FMSCR and MAP levels for Egypt, Israel, Morocco, Greece, Portugal, Spain, and Turkey were earmarked. After deducting the earmarkings from those moneys that were available, we found ourselves generally 40 percent short of the levels in the President's fiscal year 1983 request. This left us the task, then, of

making an allocation for planning purposes. We then informed the countries so that they could begin planning their acquisitions against the possibility that we did not receive additional funds in the fiscal year 1983 supplemental.

Defense and State agreed—to planning levels were provided to the countries and included in the CPD.

For Tunisia, and all countries, the basis for determining these levels was not what would be essential but what would keep current programs going.

Tunisia, among other countries, faces particularly difficult problems if the supplemental is not approved because after years of not investing in their military programs and in face of the threat from Quaddafi, they decided to embark upon what we agreed was a modest modernization program requiring sizable financial resources.

Senator SARBANES. General, let me ask you this question. Once you took the total—let's take FMS or MAP or both—contained in the continuing resolution for this region, took the earmarks and honored the earmarks, which I take it you have done in every instance——

General GAST. Yes, sir.

Senator SARBANES. With respect to the balance left, it was then short of what you had been projecting for all the countries, since the total was short of what you had projected for all the countries. Was the allocation to each country made on roughly comparable percentage terms?

Mr. VELIOTES. It is not a science, Senator. You get into tradeoffs with systems as the General discussed, and then frankly, how do you spread the agony in the bilateral relationship. And you, through a variety of discussions and discussions with the country——

Senator SARBANES. Let me be very pointed. Do we have any of the game-playing in this region that apparently occurred with respect to Latin America, where the insufficient allocation from the continuing resolution resulted in there being more money for El Salvador than had been provided under anyone's projections, but necessitating a large supplemental request of large amounts for other countries. Is there anything of that sort going on in this region?

Mr. VELIOTES. No, sir. We were attempting to do our best to minimize the impact on our programs across the board.

Senator SARBANES. All right. I realize this may be sensitive. Are there any countries that were treated in a markedly different manner in the course of making the allocations under the continuing resolution?

Mr. VELIOTES. I am trying to think.

Senator SARBANES. You do not think there were any?

Mr. VELIOTES. I do not believe so. Let's take two countries. Pakistan, we went from $275 million to $200 million. Jordan we went from $75 million to $40 million. We tried to take into consideration various factors, as I said, trying to find some way to spread this out equitably.

Senator SARBANES. Now, with respect to Pakistan——

Mr. VELIOTES. And hoped that the Congress would agree with us on the supplemental request.

Senator SARBANES. With respect to Pakistan, Mr. Secretary, is the ESF being provided for refugee assistance or for other purposes or both? And if that is not its purpose, is there a separate provision being made with respect to the 2.8 million refugees?

Mr. GREENLEAF. In Pakistan, Senator, the ESF is not being provided for refugee assistance. It is all for other projects. There is assistance for refugee programs through the Bureau for Refugee Programs of the State Department. But it is not funded under the ESF package for Pakistan.

Senator SARBANES. What is being provided for the refugees to Pakistan under those programs? Does anyone here know?

Mr. VELIOTES. Yes, sir. We do have some information on that.

[Pause.]

Senator, we have contributed over $260 million for Afghan refugees in Pakistan since the inception of the international relief effort in 1980. In fiscal year 1982 we contributed over $100 million. These funds are channeled primarily through the U.N. High Commission for Refugees [UNHCR], which has responsibility for overall coordination, and for the world food program. We can get you also the overall contribution internationally.

[The information referred to follows:]

United Nations High Commissioner for Refugees—1982 UNHCR Program for Assistance to Afghan Refugees in Pakistan, Earmarked Contributions

United States	[1] $26,874,200
European Economic Community	[2] 26,067,583
Federal Republic of Germany	7,819,808
Japan	7,000,000
Canada	4,093,969
Australia	2,097,115
Sweden	1,652,893
United Kingdom	1,290,323
Norway	1,124,452
Denmark	723,684
Belgium	712,500
The Netherlands	374,545
Switzerland	368,118
Finland	125,654
Luxembourg	62,042
China	32,000
Ireland	13,500
Iceland	10,000
Portugal	2,500
NGO's and other donors	1,850,855
Total	82,295,741

[1] Includes a rupee contribution in addition to $24.15 million pledge.
[2] Includes $17,315,000 donated in kind.

International Committee of the Red Cross—Contributions Received Toward 1982 ICRC Special Appeal on Behalf of Afghan Conflict Victims [1]

United States	$892,688
Sweden	342,607
Australia	256,250
EEC	241,250
FRG	213,400
Norway	167,043

Netherlands	156,200
Canada	129,087
Switzerland	100,000
Denmark	85,562
United Kingdom—National Society	31,887
Australia—National Society	18,970
Oxfam (NGO)	4,625
Philippines	1,065
Miscellaneous	808
Total	2,641,442

[1] All contributions are from governments unless otherwise noted.

EMERGENCY FOOD ASSISTANCE FOR RELIEF OF AFGHAN REFUGEES IN PAKISTAN—PLEDGE SITUATION AS OF NOVEMBER 15, 1982

[Bilateral, IEFR, and WFP Regular pledges]

Donor	In metric tons			
	Cereals	Oils	DSM	Total
United States	398,049	35,107	21,912	455,068
EEC	106,696	4,790	8,100	119,586
Australia	87,500		100	87,600
West Germany	74,295	45	65	74,405
Canada	67,808	7,234		75,042
France	47,000			47,000
Japan	39,380		2,558	41,938
OPEC	16,000			16,000
United Kingdom	14,650			14,650
Turkey	3,828			3,828
Belgium	2,000			2,000
Kuwait	1,084			1,084
Switzerland	950		506	1,456
Norway		1,100		1,100
Total	859,240	48,276	33,241	940,757
U.S. share as percent of total pledges	46.3	72.7	65.9	48.4

Note.—Of the 940,757 metric tons of commodities pledged as of November 1982, about 86 percent or 806,539 metric tons has been delivered. The entire U.S. pledge of 455,068 metric tons has been shipped and this contribution accounts for 56.4 percent of the delivered commodities.

Senator SARBANES. That was my next question.

Mr. VELIOTES. We hoped we would have had it for today's hearing, but we do not.

I am told that despite the extraordinary size of the problem, this is generally considered to be a very well managed program.

So far in 1983, we have given $23 million to the U.N. High Commission for Refugees, and another $20 million to the World Food Program for Afghan refugees. We will probably be making other contributions to other groups, perhaps more to these groups as the year goes on.

Senator SARBANES. So the ESF does not deal with the refugees. What is the purpose of the ESF?

Mr. GREENLEAF. There are several purposes. It is basically a series of developmental projects, and I can go through some of them. But generally, they deal with agricultural development in various ways, agricultural research, education, production.

Also, there are several health projects, several population projects, several dealing with energy planning, and I mentioned one project earlier when we were discussing narcotics. We have projects

in the Baluchistan area and in the northwest frontier area which are rural infrastructure and rural development projects in the less developed sections of the country in the west and the northwest.

They are primarily development-types of projects, although we have taken into account the fact that there is a need for fast disbursement and there is a balance-of-payments factor. For example, for each year there is a $60 million agricultural commodities and equipment project which is included as example, within the 1984 request.

Senator SARBANES. Mr. Secretary—and General Gast may want to get involved in this as well—you say, and I am now quoting your statement, "Based on our 1981 understanding, the Pakistanis have make obligations to U.S. defense contractors which, for fiscal year 1983 alone exceed $550 million. If targeted levels are not reached * * *"—and targeted meaning your aid request levels—"* * * the Pakistanis will be hard pressed to meet their obligations. We are at a sensitive stage of our relationship, and the shortfall would complicate efforts to build a creditable relationship."

Can the Pakistanis make those obligations without our Government being involved with U.S. defense contractors? Without us being aware of it and knowing it is happening, or being able to offer some word of caution or something?

General GAST. Sir, most of these were foreign military sales, which are government-to-government agreement and come under the FMS programs.

Senator SARBANES. How did we allow a situation to develop in which for fiscal year 1983 alone, according to this statement, those obligations exceed $550 million?

General GAST. Sir, the administration as a result of the events in Afghanistan set about developing a program with Pakistan in which we agreed to try to achieve certain levels of security assistance that along with their cash resources would meet their security requirements. This program was briefed extensively to various congressional committees.

As in every case, the Pakistan foreign military sales requests were staffed within the executive branch prior to being notified to Congress. Of the $3.2 billion package which was discussed with the Pakistanis, the administration agreed to approach Congress in succeeding years for a total of about half of the $1.5 billion in FMS credits.

In the first year of the program, fiscal year 1982, Pakistan committed a sizable amount of cash; well over $300 million.

Senator SARBANES. What does the phrase "have made obligations to U.S. defense contractor" imply? Are they now legally bound for those obligations?

General GAST. The Government of Pakistan is contractually bound to make additional payments on these obligations in 1983. As was previously agreed with the Pakistanis, we are trying to provide a portion of the financing in the form of foreign military sales credits.

Senator SARBANES. Do we ordinarily allow these countries to enter into obligations with American defense contractors in expectation of FMS appropriations from the Congress; is that correct?

General GAST. There is an expectation on their part and on our part that we will try to provide the FMS credits as agreed, but in no way can the administration commit to the Congress ahead of time to any particular level.

Senator SARBANES. I understand that. That is not my question. My question is not whether you are laying out a 6-year program where you say to the country, this is what we hope to be able to do, speaking as the administration and subject, of course, to congressional approval. Whereupon the country has to see what happens, and then on the basis of what happens, they know whether they can move ahead on that schedule or not.

My understanding here is that they have been allowed to enter into these obligations, as it were, ahead of the congressional action on the FMS request. And because they have been allowed to do that, you now attach an urgency to the supplemental request, and I assume the 1984 request, because the credibility of the relationship is at stake.

The Pakistanis will say, we have entered into these agreements; how can we be allowed to dc that if you were not going to provide us with the money necessary to carry them out?

Hasn't that happened here?

General GAST. It has happened to the extent that the Pakistanis have incurred contractual obligations, and, if we are unable, in working with the Congress, to provide the requested $27.5 million in FMS credits, then the Pakistan Govern.nent will have to make up the difference or terminate programs.

Senator SARBANES. In how many instances do you do that?

General GAST. We do that in a considerable number of instances. Multiyear funding is necessary in the procurement of most major weapons system, an F--16 buy, for example, carries across 3 or 4 years. The same for M-48 tanks. When these and other systems are placed on order, considerable termination liability moneys are collected to protect the U.S. Government and the U.S. contractors in the event of default.

Senator SARBANES. You allow them to make these obligations significantly in excess of what is available to them. Is that correct?

General GAST. This happens all the time with countries which are not solely dependent on U.S. grant or credit financing to cover their foreign military sales purchases.

Senator SARBANES. That is right. That is the problem that I am trying to put my finger on. I want to know in how many instances you do this.

General GAST. Tunisia is another example.

Senator SARBANES. Any others? My understanding is that this is not the general standard operating procedure.

General GAST. Well, we only have really two countries which you might call "cash flow." Both Congress and the Executive have agreed to providing this special treatment to Israel and Egypt.

However, in all countries, including Israel and Egypt I want to assure you, we require termination liabilities up forward in the event that we are unable to provide those funds. We are not committed to carrying those programs forward since we just simply cannot commit the Congress. But there are sizable programs such as Turkey and others were modernization is required. In these in-

stances, we simply proceed on the basis of dependable undertakings.

The letters of offer and acceptance, which are a government-to-government agreement, clearly do not commit us to provide funding.

Senator SARBANES. Has Pakistan, in effect, become a cash flow country?

General GAST. No, sir, it has not.

Senator SARBANES. What was the 1981 understanding that allows Pakistan to undertake obligations in excess of approved FMS appropriations?

General GAST. The agreement, as I understand it, with the administration was to seek a total level of $3.2 billion over several years. And that allowed to be set in motion several programs which were viewed as urgent with the full knowledge of all parties, of course, that we could not assure a specific portion of the funding.

Over the first 2 years Pakistan would be provided more cash than we would be providing in credits.

Senator SARBANES. I take it that they were allowed to enter into a level of obligations for fiscal year 1983 that was related to a $275 million FMS figure. Is that correct?

Mr. VELIOTES. Generally.

General GAST. Affirmative. That is a goal.

Senator SARBANES. Not having gotten the $275 million figure, you are now in the situation of saying to us that they have already entered into this obligation, and therefore, in a sense, they have a complaint that they were allowed to proceed and make these obligations on a premise that has not been delivered. Is that correct?

Mr. VELIOTES. I suppose that looked at from that perspective, that would be a reasonable reaction.

Senator SARBANES. You are saying to the Congress, this is what has happened, and therefore we need the other $75 million.

Mr. VELIOTES. This is the amount that we had asked for originally. The Government of Pakistan entered into——

Senator SARBANES. If you get the country in this box and then come back and say to us that you did not get the money and now have this difficult situation to deal with——

General GAST. Senator, we are in a position where with the $200 million and assuming they come through with their portion of the program, in cash as they have been doing—we will be able to pay the bills and to keep their programs going.

It does mean, however, that there will be no new programs in fiscal year 1983, over and above those already begun if we do not receive the $75 million.

Senator SARBANES. I take it, then, that the FMS obligations which countries have been allowed to enter into significantly exceed, at present, the appropriations provided for this purpose by the Congress, is that right, as a general proposition?

General GAST. Yes, sir; the funds appropriated by Congress cover only a portion of total FMS obligations. The majority of our FMS, by far, are financed by cash. With Pakistan, however, we do have an agreement to seek a specific level of financing.

Senator SARBANES. So in other words with respect to Pakistan, unique treatment or development has occurred here. Is that correct?

General GAST. And Tunisia. It simply means that in those two countries' cases, they would have to come up with more cash than they had planned on and budgeted for.

Senator SARBANES. Or the Congress would have to come up with more money in order for that not to take place.

General GAST. Over and above what has been provided in the CR.

Senator SARBANES. So that we do not severely complicate the effort to build a creditable relationship, to quote from the Secretary.

General GAST. Yes, sir.

Senator SARBANES. I think the dangers of this approach are obvious, aren't they, as a general proposition? If you allow the countries to enter into obligations in expectation or anticipation of FMS and in excess of what is provided, and then come back to the Congress and say well, they have entered into these obligations and now we have this problem and you have to appropriate more money; that is, in effect, the thrust of this paragraph, isn't it, Mr. Secretary?

Mr. VELIOTES. I think so. I wonder, however, if there are not some unique circumstances concerning the front loading of the Pakistani program, General. I think the Senator would like to not only have the facts but be reassured that we are not engaging in this kind of a squeeze as a regular——

General GAST. I think that is quite right. The Secretary makes a very excellent point. That is, with the beginning of the program in Pakistan, there was a heavy burden initially in providing those 40 F-16's. The agreements that we have concluded at this stage are no further than the $200 million level. There is a need, we believe, to go ahead and modernize even further.

Senator SARBANES. How did we get the statement that they have obligations exceeding $550 if the commitment was at a $200 million level? If the commitment were $200 million, I would not have asked this whole series of questions. The questions are prompted by the statement that it is already in excess of $550 for fiscal year 1983 alone.

General GAST. Half of that, or a goodly portion——

Senator SARBANES. The first FMS for Pakistan was in fiscal 1983; is that not correct?

General GAST. The first FMS for Pakistan began in 1982 where they put the cash money forward, and then we began the credit program for in 1983.

Senator SARBANES. That was the first time you came to Congress for approval of an FMS figure.

General GAST. Yes, sir.

Senator SARBANES. It seems to me, at a minimum, you should have waited to see what that figure was going to be before we went ahead. How is Pakistan going to fund this large amount, even under your figures?

Mr. VELIOTES. Pakistan would expect to receive help from its friends, apart from the United States.

Senator SARBANES. Is that forthcoming?

Mr. VELIOTES. To some extent, yes, although I could not give you the details.

General GAST. I can add that they are making their payment schedule from their resources, their cash, into the trust fund on time.

Senator SARBANES. We are providing some ESF to bolster up their economy, as I understand it. Is that not correct?

Mr. VELIOTES. On a project basis; it is not budget supported.

Senator SARBANES. I will not pursue this further, but in reviewing both the request for the supplemental and the request for 1984, it seems to me we may need some more hard facts as to what extent they have been allowed to enter into commitments ahead of getting appropriations, and to what extent, therefore, we are being presented with an already loaded judgment, so to speak or loaded scales as we seek to make the judgment.

Mr. Secretary, I wanted to ask you, in your prepared statement you say, "The terms of our assistance * * *"—and this is to Israel—"* * * were set after careful analysis of Israel's security and economic requirements."

First of all, the ESF levels for Israel have been the same now for how long?

Mr. VELIOTES. Several years.

Mrs. FORD. $785 million has been the ESF level for several years. The significant change in the program was going from a commodity import program [CIP], to an all grant cash transfer program.

Senator SARBANES. How long has it been at the same level? Some number of years; is that correct?

Mrs. FORD. Yes; it has been some number of years.

Senator SARBANES. And the security figure is the same, I take it, this year as last year?

Mr. VELIOTES. The same as last year but up $300 million in FMS credits from 1981.

Senator SARBANES. That increase was in response to the Saudi sale, was it not?

Mr. VELIOTES. $600 million spread over 2 years, fiscal year 1983 and 1984, yes, sir.

Senator SARBANES. What, then, is the careful analysis of the security and economic requirements that simply led to your using the same figures? I take it that it is your view that no circumstances or factors have changed. Is that correct?

Mr. VELIOTES. Each year, as you know, Senator, the Israelis do give us what they call—well, colors used to change each year. I forget what we call it now. A white paper now—on the state of the Israeli economy and the Israeli need for foreign exchange, basically. And in that paper, they also ask us for a certain level of assistance.

We do our own independent analysis and then come up with a proposal that we recommend.

Senator SARBANES. I am trying to probe the basis of that analysis. Mrs. Ford, in her statement, says Israeli economic performance in 1982 was somewhat disappointing, and then makes reference to high defense expenditures and a number of other factors which have created greater economic problems. Let me ask you this ques-

tion. What is the payback to the United States by Israel each year with respect to outstanding debt?

Mr. VELIOTES. We do have that figure. As we are finding that, Senator, let me mention that this year, in recognition that there was a weakening in Israel's export position, the administration did recommend that the $785 million be a grant; all of it. This is a change from our previous position of recommending two-thirds grant and one-third credit.

Senator SARBANES. It has always been appropriated as a grant, has it not?

Mr. VELIOTES. That is right, but we are talking now about the basis on which the administration makes these recommendations, sir.

Mrs. FORD. Senator, the total Israeli debt was approximately $20.5 billion as of December 31, 1982, of which about $9.2 billion, or 45 percent, was owed to the U.S. Government. The U.S. Government is Israel's largest creditor. Total debt service in 1983 will be $3.3 to $4.2 billion, of which approximately $1.1 billion will be paid to the U.S. Government.

Senator SARBANES. So Israel will pay back to the United States actually more than $300 million above the ESF support provided. Is that right?

Mr. VELIOTES. Yes, sir. But when you factor in——

Senator SARBANES. Has that figure been going up? The payback figure?

Mrs. FORD. On total debt or on ESF?

Senator SARBANES. No; the $1.1 billion.

Mrs. FORD. Yes; it has been going up. The $1.1 billion has been going up.

Senator SARBANES. What was it 3 years ago?

Mrs. FORD. An estimate of about $700 million is the figure for that amount 3 years ago.

Senator SARBANES. I want to understand this. Three years ago, Israel was receiving $785 million in ESF. Would that be correct?

Mr. VELIOTES. Yes, sir.

Senator SARBANES. And paying back to the United States, in effect, to service its debts, $700 million, roughly speaking. Is that correct?

Mr. VELIOTES. I think basically, sir, yes.

Senator SARBANES. Now we face the situation of continuing to receive the $785 million figure in ESF but paying back $1.1 billion. Is that correct?

Mrs. FORD. The $1.1 billion payback figure exceeds the projected ESF disbursements, which are $785 million for fiscal year 1983. But $1.1 billion is $435 million less than the total U.S. Government grant assistance. Let me just give you the figures that we have been able to pull together here with respect to grant assistance: $1.535 billion for fiscal year 1983, including $785 million in ESF, plus $750 million in forgiven FMS credits.

And I would refer to the Secretary to speak to the FMS side of this.

Senator SARBANES. I am going to get to the FMS side in a minute. Let me just get there step by step, if I may, because that is

obviously the next category we have to look at; 3 years ago ESF was $785 million. Is that right?

Mrs. FORD. Three years ago, total, $785 million.

Senator SARBANES. And now it is $785 million. Is that right?

Mrs. FORD. Yes, sir.

Senator SARBANES. Now, 3 years ago the Israeli payback to the United States was about $700 million, and now it is $1.1 billion. Are those figures all correct?

Mrs. FORD. So far we are all right. I guess what I would add, however, is that the $785 million ESF is to provide balance-of-payments support for the Government of Israel so it would not have to borrow too heavily at commercial rates. And it is not directly related at all to their long-term debt obligations which are only one element in the balance of payments.

Senator SARBANES. Now, what is happening, of course, they are in a sense moving deeper and deeper into the hole. Is that not correct?

Mrs. FORD. No; not if you look at the total package, the combination of ESF and FMS grants.

Senator SARBANES. That is the next thing I want to look at. The $1.7 billion, Mr. Secretary, last year was $750 million of that was forgiveness, was it not?

Mr. VELIOTES. Yes, sir.

Senator SARBANES. And $950 million was loaned. Now this year you have proposed to cut the forgiveness to $550 million. Is that correct?

Mr. VELIOTES. We propose to maintain the same level that we proposed to the Congress last year, yes, sir; $50 million increase, I am sorry.

Senator SARBANES. You propose to cut what the Congress did by $200 million.

Mr. VELIOTES. Yes, sir.

Senator SARBANES. To the extent that they undertake that additional loan debt, they are building up a repayment figure, are they not, for future years?

Mr. VELIOTES. In the out years, that is true, sir.

Senator SARBANES. So we can anticipate that the repayment, assuming the ESF and FMS aid figures stay the same—and for the moment I will not quarrel about whether the forgiveness is at $550 million or $750 million; let us just assume that a good part of it is not forgiven, half or more—in future years will increase, will it not?

Mr. VELIOTES. Excuse me, sir?

Senator SARBANES. The repayment figure in future years will increase?

Mr. VELIOTES. I am not sure, I am sorry. I do not have——

Senator SARBANES. Is that not correct?

Mrs. FORD. I am sorry, could you repeat that?

Senator SARBANES. What do you expect the comparable figure to the $1.1 billion to be in future years? It will go up, will it not?

Mrs. FORD. Sir, I have looked at this specifically for ESF.

Senator SARBANES. I am talking about the repayment figure.

Mrs. FORD. It would seem to me that we would have to look at debt service to the United States with the total amount of U.S. assistance but to segregate one from the other——

Senator SARBANES. I am doing that now. I just want to know on the repayment, will that not go up in future years?

Mr. VELIOTES. I am tempted to say that seems logical, but I have not done any projections.

Senator SARBANES. Has anyone done any? I think someone behind you may have.

Mr. SILBER. Let me say this. In the last couple of years the Congress has required on the FMS side that there be a 10-year grace period on the repayment of principal in the FMS. At the time that that 10-year period elapses, the burdens of repayment of principal on the FMS loans will kick in, and that will be a considerable increase on the repayments.

Senator SARBANES. Over and above the increase that is taking place, in any event? Is that not right? Is there not an increase that is taking place, in any event?

Mr. SILBER. I think that is correct.

Mr. VELIOTES. We will have to get the exact figure for the record.

[The information referred to follows:]

EXACT TRENDS IN FMS DEBT SERVICE IN FUTURE YEARS

In response to the questions posed the following figures for FMS debt service owed by the Government of Israel on credits contracted through fiscal year 1982 are submitted:

U.S. fiscal year	Principal	Interest	Total
1983	125.2	761.8	887.0
1984	100.2	806.7	906.9
1985	95.2	808.9	904.1
1986	89.9	808.2	898.1
1987	125.3	802.5	927.8

Senator SARBANES. Obviously, as they continue to borrow and if the amount of aid stays at a fixed level on the forgiveness on the FMS and the ESF, then the ratio of assistance is going to be declining because more and more of it is going to have to be repaid. Is that not the case?

Mr. VELIOTES. What you say seems logical, Senator, but I am cautious in agreeing.

Senator SARBANES. Actually, it is going to be even worse when the 10-year grace period kicks in. Then you are going to get a significant jump in it, are you not?

Mrs. FORD. Senator, on page 29 of our debt report to Congress that we submit for Israel each year, we speak to the point that you make there. We have indicated in that report that the structure of Israel's outstanding foreign debt will result in gradually increasing interest obligations. Amortization of the principle on the foreign debt will also increase each year.

But the economic burden of the debt will decline with growth in export earnings and with declining commercial interest rates. And

the report itself projects growth—and this is the Israeli projection as well—for a growth in the export earnings.

Senator SARBANES. I understand that. But that does not square with your statement and the Secretary's assertion that the terms of the assistance were set after careful analysis, because you say a disappointing economic performance in 1982, a decline in exports of 7 percent, an increase in deficit, the reserves stay up. But you are not clear on where that is from—you attribute it to debt capital inflows but do not allocate it as amongst foreign investment, commercial borrowing, and aid.

It seems very clear to me that you are holding the aid figures constant, and it is clear that the Israeli repayment burden is ascending; therefore, as it were, the net benefit is diminishing because each year they are required to pay back more, a larger figure, but each year the aid figures stays the same.

The real thrust of my question is, in view of that development, and in view of reference here to the economic performance, what was the analysis that instead of at least accepting the $750 million figure of the Congress last year on the forgiveness of the FMS, that led you to cut it to $550 million instead of accepting the $750 million congressional figure?

Mr. VELIOTES. Senator, I would not even attempt at this time to try to get into our total overall analysis. We can submit something for the record. However, the issue is not just what the future trends might be with respect to Israel repaying an American debt, and there are some questions here as to just what those trends would be. It is also what our own budgetary situation looks like, what are the availabilities globally, and under those circumstances are the amounts that we decide to propose for Israel sufficient to justify this administration's strong claims of support for Israel's security and well-being? And we believe that this is indeed the case.

I mentioned earlier that we had taken into consideration a softening in the export position when we decided this year to follow the lead of the Congress and submit the $785 million for full grant. The fact that we have not submitted it in the previous years for full grant certainly suggests we did not think it was required. This year, we have agreed that the extra $200-some-odd million should be a grant.

[The information referred to follows:]

FURTHER INFORMATION ON U.S.G. ANALYSIS OF ISRAELI ECONOMY

Israel's economy remains strong and vital. Export performance declined somewhat in 1982 but capital inflows more than covered any shortfall since official foreign exchange reserves continued to rise. Moreover, Israel was able to meet certain domestic objectives such as maintaining unemployment at only 5 percent and continuing real increases in wages and domestic private consumption.

The modest decline in Israel's exports (about 4.8 percent in real terms in 1982 compared to 1981) resulted in part from adverse international factors (stagnation in the economies of key western markets and appreciation of the U.S. dollar relative to Western European currencies. At the same time some domestic Israeli economic policies designed to support domestic earnings and consumption and reduce domestic inflation contributed to the decline.

The strength of the Israeli economy is revealed, however, in the growth of Israeli exports prior to 1982—a period when many other LDCs were already suffering export shortfalls. The Israeli economy has shown greater resilience than many to adverse international factors and, assisted by appropriate economic policies, should be well situated to take advantage of an expected modest upturn in the western

economies this year. In addition, the ability of Israel to absorb the costs of the invasion in Lebanon must be cited as an example of the basic strength of the economy. The costs of the war are estimated at about $1 billion (largely in local currency) while the Government's "Peace for Galilee" tax package will generate about $1.45 billion in revenues.

Senator SARBANES. On the issue of budget constraint, by what amount do your requests in the international security area for fiscal year 1984, exceed the amounts contained in the continuing resolution?

Mr. VELIOTES. You mean globally, sir, worldwide?

Senator SARBANES. Yes.

Mr. VELIOTES. I think it is a considerable amount, but I would have to get that figure.

[Pause.]

Senator SARBANES. Let me put the figures to you. I have some here at hand. In the international security assistance program, as I understand it, one of your arguments for reducing the $750 million to $550 million is the budget constraints confronting our Nation.

Mr. VELIOTES. Looking at it globally, yes, sir.

Senator SARBANES. The CR for 1983 provides $7,840 million according to the figures I have, and the request for fiscal year 1984 is $9,234 million, with most of that request, a very large part of it, in FMS guarantee and MAP. Is that correct?

Mr. VELIOTES. I think so.

Senator SARBANES. In fact, there has been a rather marked shift from economic aid toward military aid in the last 2 or 3 years, has there not, in the international security assistance program?

Mr. VELIOTES. I believe that is the case, sir, but in part, speaking outside of my own area, it is because we had no programs in many places where we decided we should have some again.

Senator SARBANES. I take it we have also reversed the effort to do away with MAP and are now in the process of reinstituting it. Is that correct?

Mr. VELIOTES. Yes, sir; on a case-by-case basis.

Senator SARBANES. And how many nations are we now back up to with MAP?

Mr. VELIOTES. Worldwide, someone else would have to discuss that. In my own area, we are talking about Morocco, Tunisia, certainly Yemen, and Israel and Egypt, because forgiven FMS is another name for MAP. It is a grant program.

Perhaps General Gast or Mr. Brown would wish to address this.

Mr. BROWN. Senator, there are 27 countries now receiving grant military assistance. That includes the forgiven credits for Egypt and Israel.

Senator SARBANES. And was the figure not down somewhat below that at an earlier point in recent times?

Mr. BROWN. Yes. And we started to phase out that. In fact, the only people receiving grants were Egypt and Israel.

Senator SARBANES. At one point we had it down to just two countries?

Mr. BROWN. Except for some residual pipeline management items; yes.

Senator SARBANES. It has now gone back up to?

Mr. BROWN. Twenty-seven countries.

General GAST. And that was a decision made, sir, after last year or two when it was decided not to go for concessional rates for the more needy countries but to go back to MAP in working with Congress.

Sir, if I could return to your earlier question, we consider ESF to be economic rather than military assistance, of course, and include that within the economic program. The overall for 1982 actual was 35 percent military assistance, the President's revised request in 1983 is 41.9 percent and in 1984 is 43.1 percent military assistance.

Senator SARBANES. Could I have that again? You are counting what?

General GAST. I include economic support, ESF, within economic assistance. And when I speak of it, I am speaking for military assistance. In 1982 the actual ratio was 35.2 percent military assistance. The revised 1983 request, 41.9 percent, and the 1984 request, 43.1 percent military assistance.

Senator SARBANES. Do the AID people have the development assistance request for fiscal year 1984?

Mrs. FORD. For fiscal year 1984, development assistance and ESF?

Senator SARBANES. No; ESF is $2.949 billion, is it not?

Mrs. FORD. I do not have the global figures.

[Pause.]

Senator SARBANES. General, let me give you what I have. Let us see where we are. For the military, fiscal year 1984 request, foreign military sales, guaranteed, $4.436 billion, direct $1 billion, and MAP $747 million and IMET $56 million. And peacekeeping operations of $46 million. I do not know how you want to count those. Maybe we will just leave them out for the moment, which gives us roughly a total of about $6.2 billion. I have $1.8 billion as the development assistance program.

And I do not altogether accept the ESF as being economic and not military. I do not think it is fair to call it all military, and I do not think I would call it all economic. But if you accept your premise that it is all economic, we still get $4.7 billion of economic and $6.2 billion, $6.3 billion of military. Is that not correct?

General GAST. $6.2 billion of the total $14.5 billion in foreign assistance requests.

Senator SARBANES. Where does the rest of the $14.5 billion come from?

Mr. BROWN. For example, Exim is a part of our foreign assistance bill. It falls into the 150 account. There are other—we have the DA account, we have the banks, the multilateral banks, the World Bank and so on. I think when you add all those up, you get 14-point whatever it is.

Senator SARBANES. I need to know what you are throwing into that equation. The figures that I have for development assistance show the trend is there—even under your figures, as I understand them.

The point you are trying to make is that while more and more of it is shifting from economic to military, the figures on the military are not as heavy as I indicated in the figures I was quoting, as I understand it. And I would have to see what else it is that you are throwing into that package.

General GAST. Using the same formula——

Senator SARBANES. We have the request for military aid at 21 percent above the CR, the request for ESF at about 11 percent above the CR, and the request for development assistance at about 4 percent above the CR.

General GAST. That is probably about right, sir, above the CR. The MAP supplemental is 57.6 percent of the CR.

Senator SARBANES. Senator Boschwitz was very anxious to come back. He is tied up at a meeting of the Agriculture Committee, and I have to some extent been awaiting his return. I think he will submit his questions to you and ask you to respond to them. And I am going to move to the next panel in just a moment. But I want to get a couple more questions in.

Mr. Secretary, in your prepared statement you cite an increase in the effectiveness of the LAF [Lebanese Armed Forces] in maintaining internal security will permit the eventual withdrawal of the multinational forces. Obviously, the focus of the questions is on the word "eventual." What does that mean? When can we anticipate that those forces which include our U.S. contingents as well come out?

Mr. VELIOTES. Mr. Chairman, I cannot predict as to when they will leave. Certainly, this is not an open-ended commitment, and the President is very conscious of the need to help the Lebanese reestablish their own control as well as the need to make this the shortest time possible to accomplish the mission. I am sorry, today I just cannot go beyond that point.

I wonder, sir, if we could address the military side of the Lebanon supplemental to complement Mrs. Ford's testimony on the economic side? As you know, we are asking for $100 million. I will ask General Gast to fill in the details. I would just like to say that we are well aware of the urgent need of the Lebanese to recreate their own armed services, to accomplish Lebanese missions. I think this is very important. We are not talking about creating or helping to create an army on the pattern of the American or the French Army to maneuver army corps thousands of miles away from home.

Someone mentioned to me the other day that if the Lebanese army is in the Bekaa on an operation, it is an hour and a half by road from its major logistical base. So we are also talking about small mobile groups able to circulate in their own country and to perform specific tasks that will reassure the people that they can be protected and also make certain that those who would wish to come in for any hostile intent will be detected and stopped.

And I should say in this respect that any group that would come into Lebanon with a hostile attempt ultimately against Israel would also be viewed as having a hostile intent against the Lebanese. So I think this is a good earnest for the future of assuring the security of Israel's northern frontier.

With that, I would like General Gast to discuss in some detail what the plans are for the reconstruction of the Lebanese Army and our role.

General GAST. Senator, we are speaking of the Lebanese Army and not the entire Lebanese Armed Forces. That is to say, their ground-force element and the assistance that we have provided in

the past, which is funded by prior-year credits and by cash that they have provided. We are talking about an existing structure of some 20,000 personnel in units that require a great deal of equipment, nonsophisticated equipment, to provide for internal security.

Up until now, based on those prior credits and the cash that they have provided, we have been able to begin a program which within the next 2 weeks we will have the equipment delivered to make four brigades capable of conducting an internal security mission.

We have FMS agreements signed, with the exception of one for further armed personnel carriers, which requires congressional notification, to equip another brigade and to fill one of the first four out to 100 percent. And procurements are underway right now to provide that equipment.

We are also providing training assistance for them in management. Their need is not only to have equipment, but the training and the infrastructure which has to be reconstructed because of years of disuse following the civil war. The logistics and the personnel systems; all of it.

The Lebanese Army does not have sufficient funds to continue, in our view, the program without some credits, money being made available to them. They have cash but after all, they have to reconstruct all of their facilities. They have very few facilities left intact. They have to set up facilities, and any moneys that they have available we believe are going to be required to reestablish facilities throughout Labanon as they move out of Beirut.

We estimate the balance of the funds that are required to be around $100 million to equip two more brigades. We are hopeful that the Italians and French, whom we have been talking to, will be able to provide some of that equipment. We need, in order for them as they begin further recruitments and training, to get the equipment on order now. Adequate procurement leadtime is essential to match up this equipment as they bring in people and train them.

That will, in effect, give them seven brigades equipped with our contribution, and those by the Italians and the French. The French hopefully will be able to help them with their air force, and they are providing some credits. The Italians also will provide some credits.

Our visits to Lebanon leave us with some optimism that they will be able to do that. The equipment is arriving, and it is a tremendous morale boost, in addition to giving them the capability to move out of Beirut.

But I would like to stress not only the need for that $100 million, but the urgency of having it now to get those things on order so that we will not have to divert from our own resources to provide them. We need to maintain the readiness of our own forces. We possibly will have to divert, if some emergency comes up or if we cannot get the equipment ordered in time.

Senator SARBANES. Would you say, Mr. Secretary, that of all of the requests contained in your supplemental, that the moneys for Lebanon are the most important and urgent?

Mr. VELIOTES. Certainly, sir. We think the Lebanon supplemental stands on its own merits. I would not want to compare it with any

other request that we have. We consider it extremely urgent and very important.

Senator SARBANES. Would you be prepared to assert that it is as urgent as any item in the entire supplemental, not just within your own region?

Mr. VELIOTES. Well, obviously, I am partial to my own region.

Senator SARBANES. But you are also a trained diplomat who makes objective judgments.

Mr. VELIOTES. I do not think I should go beyond what I have just said, sir.

Senator SARBANES. General, how long would it take to make the Lebanese Army effective again, so that we get a definition of this word "eventual."

General GAST. I really honestly cannot answer that question. I think it is so much dependent upon the peace process itself, the withdrawal of forces, the popular support that will be given to the army, the exclusion of any outside and interfering forces creating mischief. We believe that these four brigades can, as withdrawal occurs, make a contribution, certainly, with a good portion of Lebanese security but not all of it.

At this time, they would be very strained to put four brigades out to cover the entire country, particularly having been bottled up in Beirut as long as they have without the opportunity to exercise authority.

Senator SARBANES. They are beginning now to exercise authority within Beirut itself.

General GAST. Yes, sir.

Senator SARBANES. And assuming an all-Beirut role and the multinational forces in Beirut as well; is that correct?

General GAST. Yes, sir.

Senator SARBANES. So I take it that within the geographic area in which the multinational force is located, they are making good progress; they being the Lebanese Armed Forces, are making good progress at establishing control.

General GAST. Yes, sir.

Senator SARBANES. Is it assumed that the role of the multinational force will be broadened outside of Beirut with respect to the maintenance of security problems? Or that the LAF will move outside of Beirut with a multinational force maintaining its role there, or neither of the above?

Mr. VELIOTES. I do not think anyone can give you that answer right now, sir. To repeat part of what the general said, before those decisions are made, we have to know what the landscape looks like politically and militarily. When will foreign forces withdraw, under what circumstances, what will be the capability of the Lebanese Army at that time? And at that point, you can factor in whether there is a role for a multinational force or UNIFIL, and where.

General?

General GAST. I would like to add that there is a need, an urgent need, as soon as outside forces withdraw and the Lebanese Army has the authority to move out of Beirut, for them to do so. And that is what has led to us, since November, to take expedited actions. And we have worked very hard to get the equipment over there that they have purchased.

Senator SARBANES. I think that is a very strong point.

General GAST. We need to get them out of Beirut to get some operational experience and begin to grow into their new role.

The Lebanese Army will tell you that they understand that this is their great chance to provide that service for their country. They are determined to do it. They see it as a tremendous challenge. They have been split as a result of the civil war and several other things, and they are now determined to do it, and are very confident of their leadership. A lot will depend on how much support they receive, and they value American support greatly.

There is just no question about that, from the President right on down to the Commander of the Lebanese Army, General Tannous and his troops have put great faith and great stock in us being able to provide that equipment and the training, both of which we are doing. The Marines in showing them how to do some things, and other training teams are assisting throughout the defense structure.

It is clear that they do not wish to be a mirror image of our Army, and they should not. But it is clear that they require not only the equipment but the training support and the moral support, and I think they are really looking upon us to do that, and they are very pleased with the support that we have provided.

Senator SARBANES. I think you have made a very effective presentation on that point. I would think that had the administration been listening more closely to you, perhaps they would have come with a special Lebanon supplemental on its own, separate, very fast track that would not carry with it some of the issues that are involved with respect to other items in the supplemental, whether they are in Southwest Asia or in Latin America or in other places.

It seems to me that that is a matter requiring our utmost attention.

Mr. Secretary, I will close. I see Senator Boschwitz is back. I am concerned by the use of the word "eventual." It is not an open-ended commitment, but it moves in the direction of an open-ended commitment. One of the reasons I think the Lebanon supplemental ought to be on a fast track is not only to respond to the problem in the area, but also address the question of diminishing the need for the multinational forces.

Frankly, I will tell you I think that has to be a more urgent objective than talking about eventual implies.

Senator BOSCHWITZ. Thank you very much, Senator, for holding forth in my extended absence at another committee. I am not going to enter into a line of questioning at this time, but I would like to talk to you, Mr. Ambassador, as we do so often talk, about the meeting with the King of Morocco and the Prime Minister of Algeria.

I would like to talk to you about Saudi contributions in Lebanon, I would like to talk to you about the F-16 deliveries to Israel. Also, I would want to talk about the possibility of the M-1 tank, as I see news reports, being sold to the Saudis.

I noted with some dismay the installation of the Russian SAM-5 antiaircraft missiles in Syria. Secretary Shultz and Secretary Weinberger called the installations a serious and dangerous development. What does—perhaps as a single question before you leave--

what does this foreshadow for Syria, and what does it foreshadow for the presence of Russians in the area? Is this a serious development, in your judgment?

Mr. VELIOTES. We believe that it is a very unfortunate development which can carry with it the seeds of destabilization. This is clearly an escalation with respect to the technology.

As you know, Mr. Chairman, it is the first time this particular weapon system has been deployed outside of, I believe, the Soviet Union itself. And it has a long range capability. That is the first thing—the characteristics of the weapon.

Second, the fact that the Soviets will be manning it. There is no doubt about this. This will be a weapon system that they will be on the ground, in Syria in considerable numbers in what can only be described as a potential combat role. This is a new element, as well, and disturbing.

Senator BOSCHWITZ. And is it fair to say that the range of those missiles is long enough to endanger American planes as well as planes of others in the area?

Mr. VELIOTES. I guess theoretically, given the technical characteristics of the weapon, yes, it could endanger lots of airplanes flying in that area, including American planes.

Senator BOSCHWITZ. Also, Mr. Secretary, we will talk about the activities of King Hussein and also, my desire to see the ESF funds once again provided for Tunisia. I note they are not in the budget.

Unless, Senator, you have further questions, I thank you gentleman very much.

Mr. VELIOTES. Thank you, Mr. Chairman, and Senator.

Senator BOSCHWITZ. Now we will go on to the third panel, which is Tom Dine, executive director of the American-Israel Public Affairs Committee; David Sadd, executive director of the National Association of Arab Americans; and Bob Basil of the American Lebanese League.

We apologize to you gentlemen for holding you so long. Mr. Dine, if you would begin, please.

STATEMENT OF THOMAS A. DINE, EXECUTIVE DIRECTOR, AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE, WASHINGTON, D.C.

Mr. DINE. Thank you, Mr. Chairman, for the opportunity to testify before this distinguished committee on the proposed foreign assistance authorization bill for fiscal year 1984.

The American Israel Public Affairs Committee [AIPAC] is an organization of Americans who value and are deeply committed to forwarding the strong moral and strategic bonds between our country and Israel. As you know, on AIPAC's executive committee sit the presidents of 38 major American Jewish organizations representing a membership of 4½ million throughout the United States.

In the context of formulating a realistic foreign policy, which I believe recognizes the difference between the desirable and the essential, as well as between the desirable and the obtainable, three essential questions lie before this committee.

First, how does aid to Israel serve the national interest of the United States? Second, is the amount under consideration proportionate to the U.S. interests; and third, how does the amount corre-

spond to Israel's legitimate requirements? Let me try to answer these.

Israel is the only country of the Middle East with meaningful free elections, a robust free press, checks and balances to prevent and correct abuses of authority, extensive protections for the rights of individuals and minorities, basic equally for women, and other safeguards and rights that are typical of a free society.

This stands in sharp contrast to the other countries of the region, which include monarchies like Saudi Arabia, where all power is concentrated in the hands of 3,000 wealthy relatives, and ordinary people are under constant surveillance by the religious police and internal security forces, and includes dictatorships like Syria where the army recently slaughtered 10,000 of its own citizens.

We now see in the United States an energetic campaign by adversaries of the United States-Israel relationship to undermine the moral ties between the two countries. The method applied is to focus attention exclusively and relentlessly on any aspect of Israel which puts the Jewish state in a negative light, and thus, to erode the relationship.

Israel, although, a democracy, has, like the United States itself, unsolved social problems. But it is, in any honest accounting, one of the greatest success stories of the democratic experience in the modern world. None of the Arab countries whose interest the anti-Israel propagandists seek to promote, has anything approaching the standard of democratic rights and civil liberties which Israel has maintained.

In a wider perspective, Israel compares quite favorably to the other recipients of U.S. aid in the Middle East, Northeast, Southeast and South Asia, Africa, the Caribbean and Central America.

The U.S. interest in Israel also has a strategic dimension. Israel is our only permanent reliable and effective ally in the Middle East, and one of only two in the eastern Mediterranean. It sits in a vital position midway between Europe and the Persian Gulf, and has offered to the United States air and naval bases which others have declined to provide.

It has played a critical role in cementing closer U.S. relations with Egypt by relinquishing the Sinai at great economic cost and strategic risk. It has stopped the drift of Lebanon into the Soviet orbit, dealing a vital blow to international terrorism at the same time. It has helped prevent Syria from invading Jordan in 1970, and again, in 1980, securing the pro-American government in that country. Its actions have helped to make the Mediterranean basin and the Middle East heartland secure against Soviet expansionism.

Israel also helps the United States in the sphere of military preparedness. Israel's Air Force and Navy are a significant factor in the East-West balance in the Mediterranean. Israel's action against the Soviet-supplied Syrian SAM's in Lebanon have dealt a vital blow to conventional weapons systems on which Moscow spends more than it does on all land-based nuclear weapons system.

The political-military information Israel provides the United States makes a major contribution to U.S. intelligence. The strategic value of Israel to the United States is substantial. Compared to its moral and strategic value, the cost of aid to Israel is small.

Fiscal year 1984 aid to Israel will be less than 1 percent the size of the U.S. defense budget. It will be less than one-thirtieth the amount we spent on NATO and European security. It will be a fraction of the cost of our support to the security of South Korea.

Moreover, unlike many allies, Israel seeks no commitment of U.S. combat forces on its behalf. I conclude, Mr. Chairman, that aid to Israel is one of the cost-effective security expenditures made by the United States, all of which is spent within the borders of our country.

From the point of view of Israel's needs, it is important to recognize that net aid has declined rapidly in recent years due to inflation and to the growing burden of debt service on past loans. As you can see in this chart behind me, Mr. Chairman, net aid in constant dollars has declined by 65 percent in the past 9 years, and is now about one-third the former level.

At the same time, Israel's needs have continued to increase as larger quantities of more modern arms have gone to Israel's enemies at an accelerating rate. Some people looking at last summer's fighting between Israel and Syria have concluded that Israel need no longer fear an Arab attack, but this conclusion is misleading. The summer conflict in and over Lebanon between Israel and Syria is but a small piece of the picture. In the future, Israel must be prepared to defend itself against a much wider threat than just one Arab country.

In the 1973 Yom Kippur War, 11 Arab countries contributed armed forces. Syria has mostly Soviet weapons, but other Arab States have superior systems provided by Western countries. Syria itself is rearming at an alarming rate, and Israel must also take account of the possibility of a direct Soviet threat.

The Soviet Union now has seven airborne divisions, much more capable of rapid intervention than they had in 1973. People forget that the Arab aggregate now has almost as many tanks and combat aircraft as NATO, and that Israel is a tiny country of 4 million, which must prepare against this threat and fight on its own.

Again, I have a chart behind me, Mr. Chairman, and this chart shows the military balance. Israel faces a much greater imbalance than that facing NATO and Europe, and that facing the South Koreans.

I have provided you with a full written statement.

Senator BOSCHWITZ. Would you describe that chart a little bit, please?

Mr. DINE. I have three categories; aircraft, tanks, and regular forces. Israel, for instance, in the aircraft category has 634 combat-ready modern aircraft.

Senator BOSCHWITZ. Israel is the smaller?

Mr. DINE. Yes; the aggregate of the air force is up to this line [indicating], 11 countries excluding Egypt, Egypt which is in red. So it is the same in the tank category and the regular forces.

Senator BOSCHWITZ. This is a comparison between the Arab States, Egypt being in red?

Mr. DINE. That is correct. The large black bar in the three columns are those Arab countries capable and ready to set forces against Israel.

Senator BOSCHWITZ. Does that include countries as far away as Algeria?

Mr. DINE. Yes.

Dr. ROSEN. In aircraft but not tanks. In tanks it includes only countries that are able to send land forces rapidly, and therefore, excludes Algeria and the northern African countries.

In aircraft, it includes countries that are within range to deliver aircraft at a time of a Middle Eastern war, which obviously is more possible in the case of aircraft than tanks.

The basis of the figures is given in written testimony which is submitted in our prepared statements.

Mr. DINE. Also included in the package before the Senators is a new paper that AIPAC has put out on the strategic value of Israel to the U.S. Air Force.

Let me conclude this opening testimony by observing that as recent polls show, the general American public is favorably disposed toward Israel, and Americans agree that aid to Israel serves the national interest of the United States.

As you consider the foreign aid authorization legislation before you and the Israel account in particular, it is important to note that net aid for Israel has declined by 65 percent in real terms over the past 9 years, while Israel's importance to the United States remains critical.

I urge this committee to vote in favor of an appropriate portion for Israel in the context of our whole foreign aid program, and furthering U.S. interests in the region and worldwide.

Thank you very much.

[Mr. Dine's prepared statement follows:]

PREPARED STATEMENT OF THOMAS A. DINE

Thank you, Mr. Chairman, for the opportunity to testify before this distinguished committee. Appearing with me are Mr. Douglas Bloomfield, AIPAC's Legislative Director and Mr. Steven Rosen, AIPAC's Research Director.

The American Israel Public Affairs Committee (AIPAC) appreciates the opportunity to express our views on the proposed Foreign Assistance Authorization bill for fiscal year 1984 and the state of United States-Israel relations.

AIPAC is a domestic American lobby. On our Executive Committee sit the presidents of the 38 major American Jewish organizations representing more than 4½ million members throughout the United States.

As this committee considers the foreign assistance authorization for Israel for fiscal year 1984, it faces three essential questions. First, how does assistance to Israel serve the national interest of the United States? Second, is the amount proposed proportionate to Israel's legitimate requirements and to the national interest of the United States? And third, are the objectives of the aid program consistent with the wider objectives of United States-Israel relations and U.S. diplomacy in the Middle East? I would like to take this opportunity to provide pertinent background for your deliberations on each of these three issues.

1. How does assistance to Israel serve the national interest of the United States?

The United States has both a moral and a strategic interest in Israel. Israel is the only country of the Middle East with meaningful free elections, a robust free press, checks and balances to prevent and correct abuses of authority, extensive protections for the rights of individuals and minorities, basic equality for women, and other safeguards and rights that are typical of a free society. It stands in sharp contrast to the other countries of the region, which include feudal monarchies like Saudi Arabia, where all power is permanently concentrated in the hands of a few wealthy princes and the ordinary people are under constant surveillance by the religious police and internal security forces, and dictatorships like Syria, where the government recently slaughtered 10,000 of its own citizens.

We now see in the United States an energetic campaign by enemies of the United States-Israel relationship to undermine the moral ties between the two countries. Their method is to focus attention exclusively and relentlessly on any aspect of Israel which puts the Jewish state in a negative light, and thus to erode the relationship. Israel, although a democracy, has, like the United States itself, some unsolved social problems. But it is, in any honest accounting, one of the great success stories of the democratic experience in the modern world. None of the Arab countries, whose interests the anti-Israel propagandists seek to promote, has anything approaching the standard of democratic rights and civil liberties which Israel has maintained. Aid to Israel is based on a common Judeo-Christian and democratic heritage that is virtually unique in a world of imperfect nations and imperfect alliances. In a wider perspective, Israel compares quite favorably to the other recipients of United States aid in the Middle East, Northeast Asia, Southeast Asia, South Asia, Africa, the Caribbean, and Central America.

Alongside the moral tie between the two nations, the United States' interest in Israel has a strategic dimension. Israel is our only permanent ally in the Middle East and one of only two in the eastern Mediterranean. While we enjoy, for the moment, good relations with a number of other countries in the region, these are based on alliances with unelected ruling elites in societies where the ordinary person has no special love for the United States or for the Western world. As we learned in Iran, such alliances with autocratic and unstable elites can be ended by the next coup or revolution, or we can be thrown out by rulers attempting to hold on to power by appeasing radical opinion. In Israel, by contrast, the ordinary citizen, and the leaders of all major parties, conceive their own interests as part of the Free World. The alliance between the United States and Israel is, therefore, above all a bond between the peoples of the two countries, and it will endure long after these other "friends," who are really temporary allies of convenience, are gone.

The strategic value of this alliance to the United States derives from Israel's geographic position in a vital area of the Mediterranean and the Middle East midway between Europe and the Persian Gulf, and from Israel's own strength and effectiveness as the most powerful state in the region. President Reagan has emphasized that the "paramount American interest in the Middle East is to prevent the region from falling under the domination of the Soviet Union." In this regard, Israel's strength has played a critical role in four cases:

Egypt.—Israel's willingness to relinquish the Sinai, at great economic cost and strategic risk, has helped to wean Egypt from the Soviet Union and to cement closer U.S. ties with Cairo.

Lebanon.—Israel stopped the drift of Lebanon into the Soviet orbit by driving the Syrians and the PLO out of Beirut, thus allowing a pro-Western government to come to power and creating a new opportunity for creative American diplomacy.

Jordan.—Israel has twice helped the United States to prevent Syria from invading Jordan, thus enabling a pro-Western government to remain in power in Amman.

Terrorism.—Israel has dealt a vital blow to international terrorism, eliminating its global headquarters in Lebanon and capturing thousands of terrorists operating from there against other countries around the world.

As a result of these Israeli actions, the eastern Mediterranean region, which once looked like fertile ground for Soviet adventurism, is now evolving toward stable relations with the Western world. Thanks largely to the actions of Israel, the Mediterranean basin is now virtually an American lake, with the exceptions of Syria and Libya. This basic point has not escaped the attention of Moscow, which understands better than some in the West the profound strategic value of Israel to the United States.

Beyond these cases, Israel is an important strategic asset for the United States, providing significant assistance to our defense and intelligence establishments. Currently, Israel helps the United States in the following ways:

Israel provides the United States with intelligence on Soviet equipment and on Soviet-allied forces in the Middle East, and is prepared to provide more.

Israel has demonstrated the vulnerability of Soviet SAMs and interceptors in Lebanon, which may force the U.S.S.R. to divert large sums in Europe from force expansion to force renovation and replacement and has also discredited the weapons on which much Soviet influence depends.

Israeli air and naval forces are sufficiently strong to challenge Soviet naval forces in the eastern Mediterranean, and are thus a significant factor in assessing the East-West naval balance of power in that region.

Israel has provided considerable combat data on the performance of American military equipment, allowing the United States to correct problems and to incorporate improvements without risk to American lives.

Israel has developed equipment and tactics which have subsequently been adopted for use by the American military.

Israel has directly aided in the improvement of American weapons by developing improvements subsequently adopted by the United States and by funding such programs in the United States.

But the United States has not yet exploited the full strategic advantage of cooperation with Israel. If the United States adopted a systematic program of strategic cooperation, as proposed but suspended a year ago, the areas of potential gain could include the following:

Israeli hospitals could save American lives by caring for the large number of American wounded likely to result from a Persian Gulf war; indeed, no other solution is presently visible.

Israel has offered to protect American lines of communication in the eastern Mediterranean in a crisis, thus freeing American aircraft for use elsewhere.

Israel has offered to make available air fields and ports to support American military deployments in the Mediterranean and the Middle East.

Israel could be used as a storage site for prepositioning of fuel, ammunition, and equipment for use by American forces sent to the Middle East.

Relatively modest assistance from the United States and an agreement on strategic cooperation could expand significantly the value of Israel as a naval ally.

But with or without these additional steps, cooperation with Israel greatly enhances America's strategic position not only in the Middle East and the Mediterranean but indeed throughout the world.

Overall, then, the United States has both moral and strategic interests in Israel, and the program of assistance for Fiscal Year 1984 which is before you serves both. It is a reflection of our concern for the security of Israel, in that it helps Israel to offset the massive quantities of arms that are flowing from most of the world's major production lines to countries hostile to Israel. Aid is also a reflection of our strategic interests, in that it helps our one permanent ally in the region to maintain its strength as an asset in the broader arena.

2. Is the amount proposed proportionate to U.S. interests and Israeli needs?

Aid to Israel has declined considerably in real terms and in proportion to U.S. aid commitments worldwide over the past few years. Still, it remains a substantial figure. A continuing concern of Congress is how to determine the level of aid that is appropriate in light of the national interest of the United States and in terms of what is necessary to support the security of Israel.

The central purpose of aid to Israel is to ensure the security and survival of a vital ally whose strength is an asset in the wider international security system. The ultimate purpose of assistance to Israel is essentially similar to the reason we keep troops in Europe and Korea and a naval presence in the western Pacific: to enhance international security by deterring aggression and ensuring the defense of important friends and allies. To determine whether our assistance to Israel is proportionate to U.S. interests, the appropriate measure is therefore an assessment of the costs and benefits compared with other major expenditures on international security.

Fiscal year 1984 aid to Israel will be less than 1 percent the size of the U.S. defense budget, under one-thirtieth of our expenditures on NATO and European security, and a fraction of the cost of our support to the security of Korea. Moreover, unlike many allies, Israel seeks no commitment of U.S. combat forces on its behalf. In light of the important role Israel plays in regional and international security, which we have outlined, aid to Israel is one of the most cost-effective security expenditures made by the United States.

Moreover, a considerable portion of the cost of our aid to Israel is offset by direct economic benefits to the United States. Israel is a substantial net importer from the United States, spending on civilian imports alone about twice what it receives in economic assistance. Every dollar of aid is spent within the borders of the United States, and a major portion of the total consists of loans on which Israel has an excellent record of repayment. According to Peter McPherson, Administrator of AID, every billion dollars of U.S. aid translates into 60,000 to 70,000 jobs in the United States.

But the benefit to the United States goes beyond the aid process itself. For example, when Israel defeated the Syrian's Soviet-supplied SAM and air defense systems in Lebanon, it implicitly dealt an important blow to one of the largest and most important elements of the Sovet and Warsaw Pact military buildup in Europe. The

Soviet Union spends more on its SAM system in Europe than it does on its entire land-based nuclear weapons complex. If we add to the surface-based air defenses its expenditures on the MiG–21 and MiG–23 interceptors, which Israel also defeated, it spends more on combined air defense than it does on its entire Navy. Over time, the effect of Israel's actions will be to force the Soviets to spend considerable sums on altering and replacing important parts of this huge system. This means a significant diversion of Soviet defense expenditures from force expansion to force replacement, and from expenditure on offensive systems to spending on a defensive one. While the results for the United States will not be visible immediately, the implicit effect is to reduce by billions of dollars the Soviet defense buildup which the United States must match.

Similarly, Israel's combat experience will over time affect billions of dollars in U.S. defense expenditures, although here again the full effects will take some time to unfold and will not always be visible to casual observers. In the current period of rebuilding the United States armed forces to meet the growing Soviet challenge, each of the new systems we acquire involves hundreds of millions or billions of dollars in research, development, procurement, operations, and maintenance costs. If Israel's combat experience in Lebanon alters only 5 percent of this activity—and its experience in 1973 altered a good deal more—these savings alone, in the form of diverting expenditures from less effective solutions to combat proven alternatives—will have an economic benefit to the United States comparable to the total cost of foreign aid.

These are but two examples. If we could give a dollar value to the other areas in which Israel is a strategic asset to the United States, such as the value of its air and naval contributions to the Mediterranean balance and its role in security pro-Western governments in Egypt, Lebanon, and Jordan, it would be clear that the total gain for the United States greatly exceeds the cost of aid.

The current level of assistance to Israel is thus easily justifiable in terms of the national interest of the United States. The next question is how it compares to Israel's legitimate requirements in terms of the goals of the aid program.

The primary reason Israel needs assistance from the United States is the enormous cost of maintaining a military balance. Israel is a small state of four million people with a GNP of $28 billion which must somehow defend itself against the relentless hostility of confrontation states with 30 times the population and 10 times the GNP. Saudi Arabia's defense budget alone exceeds Israel's total GNP. The combined defense budgets of just five Arab states (Syria, Iraq, Jordan, Saudi Arabia, and Libya) are five times that of Israel.

The people of Israel are proud and determined to be responsible for their own defense. Unlike many other countries, they do not intend today or ever to ask American soldiers to provide their protection for them. They also contribute the economic cost of their own defense to the limit of their capabilities, spending a much greater portion of their resources on security than the United States, Europe, or Japan. But Israel is not capable of matching the unlimited expenditures of the Arabs and the Soviet Union. United States aid is essential to maintaining a stable military balance.

Israelis are deeply grateful for the substantial support that the United States has provided over the past decade, and are well aware that the United States above all countries has stood by them during this difficult period. We Americans, both Jewish and Christian, who care about Israel share this feeling and a great pride that our nation has honored its tradition of standing by a vital ally. I come before you today to express our thanks to the Congress.

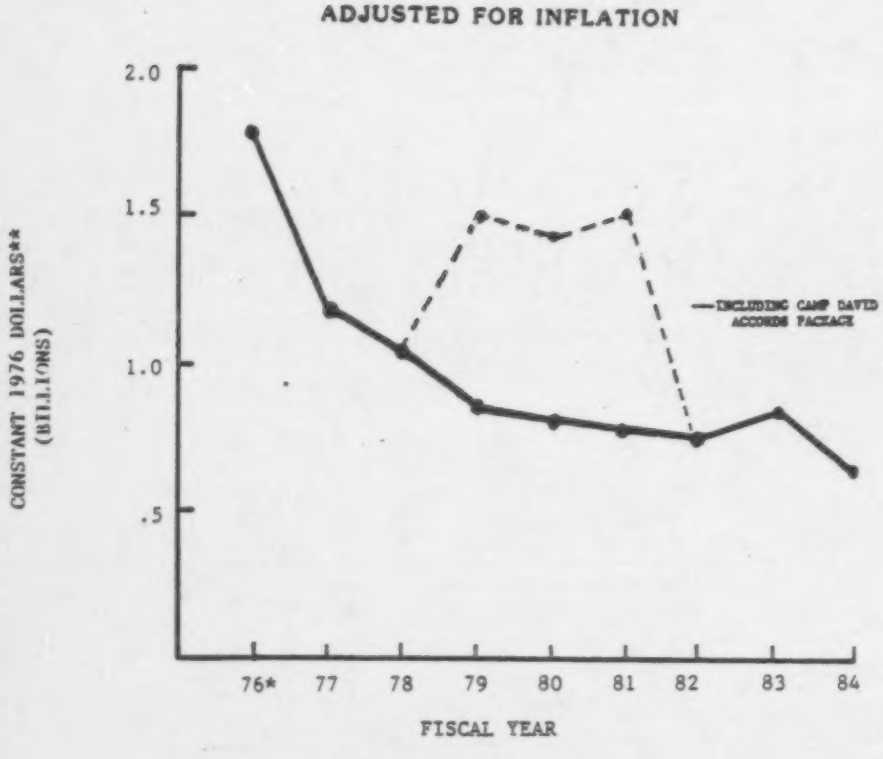
However, we are also concerned by the unhappy reality that net aid to Israel is declining rapidly due to inflation and the growing burden of service on past loans, while the accumulation of arms by hostile countries continues to accelerate and Israel's vital needs therefore grow. This is leading to a widening gap between Israel's legitimate requirements and the aid that is available from the United States each year.

The fact that net aid to Israel has declined significantly in real terms is not widely understood. In fiscal year 1976, the Congress appropriated $2.214 billion and Israeli debt service on past loans totalled $376 million, leaving a net aid balance of $1.838 billion. For fiscal year 1984, the Administration has proposed $2.485 billion, but debt service to the United States Government will be $1.15 billion, leaving a balance of $1.335 billion in net aid. Taking inflation into account, the package before you is equivalent to $661 million 1976 dollars, a decline of 65 percent. As you can see in Figure 1, net United States aid to Israel has declined over the past 9 years, and is now about one-third the former level in real terms.

FIGURE 1.

NET AID TO ISRAEL

Annual grants and loans less debt service



* EXCLUDING TRANSITIONAL QUARTER FOR COMPARABILITY
** ADJUSTED BY U.S. DOD INFLATOR

BASIS OF COMPUTATION-SEE APPENDIX

At the same time, Israel's need for assistance has continued to grow. It derives, above all, from the necessity to maintain a military balance against an Arab coalition which is receiving ever-larger numbers of more sophisticated arms. Because of its direct relevance to the question of Israel's need for aid, I would like to devote a few minutes to an assessment of the military balance.

Some people have concluded from Israel's successes against the Syrians in Lebanon last summer that Israel need no longer fear an Arab attack and that Israel now has all the arms it needs for self-defense. This perception, although widespread, is erroneous and misleading, because the balance between Israel and Syria in Lebanon is but a small piece of the picture, for several reasons:

(1) In 1982, Israel had to fight only a portion of the forces of one Arab country. In the future, Israel must be able to defend itself against a much wider threat, like that of 1973 when eleven Arab countries contributed forces.

(2) Syria is one of the few remaining Arab countries which gets most of its weapons from the U.S.S.R. Many Soviet systems are less capable and more vulnerable to Israeli countermeasures than the Western-supplied systems that are now entering the arsenals of other Arab countries, such as the Saudi F-15s which can easily outperform the Syrian MiG-21s.

(3) Syria itself is now in the midst of a major modernization and rearmament, reportedly including a satellite data link connecting Syrian air defense to a control system in Moscow. The Soviets are introducing new countermeasures at a feverish pace, to ensure that Syria will fare better in any future round of fighting.

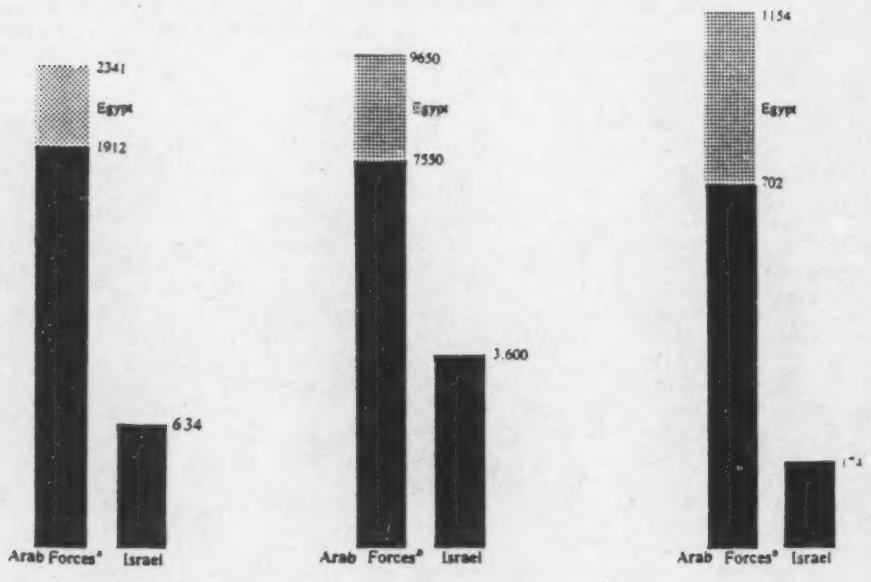
(4) Israel must take account even of the Soviet Union itself as a potential threat. Russia now has seven airborne divisions whose troops and equipment could be introduced rapidly into a Middle Eastern conflict. It also has several thousand military personnel already on the ground in Syria.

Above all, Israel is forced to plan, not only for the situation that exists at a given moment, but for the more demanding situations that could come about over a 10 year time horizon. If the Arab League is divided today, this can change rapidly, as it does from time to time, and Israel may face a much larger coalition than is apparent at the present time. Taken together, the Arabs pose a formidable threat, possessing collectively almost as many combat aircraft and tanks as NATO (e.g., 1,912 jets compared to NATO's 1,986 in Central and Northern Europe). The long lead-time on aircraft and tank procurement makes it necessary for Israel to plan against this larger threat today.

In the wider strategic perspective, Israel operates on a narrow margin of safety, with the certain knowledge that the first war it truly lost would be the last. As Figure 2 shows, Arab military forces have a substantial quantitative advantage over those of Israel, averaging a ratio of about three-to-one. For example, Israel has about 634 aircraft against the Arabs' 1,192 (2,341 counting Egypt), and 3,600 tanks compared to the Arabs' 7,550 (9,650 if Egypt is included) counting only those Arab countries able to send forces. This is a quantitative disparity considerably larger than that faced by NATO in Europe or by South Korea, and it forces Israel to take extraordinary measures to compensate.

FIGURE 2

THE MILITARY BALANCE 1983



[a] includes: Algeria, Iraq, Jordan, Kuwait, Libya, Saudi Arabia, Syria--capable of rapid deployment of aircraft.

[b] includes: Eastern Front Arab States: Iraq, Jordan, Kuwait, Saudi Arabia, Syria--capable of sending tanks.

Source: The Military Balance, 1982-1983. London:International Institute for Strategic Studies, 1982

Until recently, this quantitative imbalance was offset by important qualitative advantages in Israel's favor, but these too are eroding. Israel can no longer count on having better weapons than those available to the Arabs. For example, Israel now has a total of about 125 advanced-design combat aircraft (F-15s and F-16s), in service or on order. By comparison, Arab countries now have in service or on order more than 160 Western state-of-the-art jets (U.S. F-15s and F-16s, French Mirage 2000s) not to mention the lastest Soviet models. If in the future the United States, as expected, sells to the Arabs another 200 advanced fighters and the French only add 40, by the end of the decade the Arabs will have 400 to Israel's current 125, making it all the more important that the Administration end delays on authorizing the 75 additional F-16s to Israel. Allowing the qualitative balance of airpower to tip in the Arab favor is definitely not in the interest of the United States. If the Arabs are able to compound their advantage in quantity with an advantage on quality, the temptation to resort to force will grow dramatically.

Equally important, there are growing indications that the Arabs are acquiring sophisticated electronic warfare equipment from Soviet and Western sources, as we are now seeing in Syria. Much of the equipment is state-of-the-art, some developed by Western companies with access to highly secret data about the very weapons that are used by Israel.

There are other disturbing trends. The growing range and payloads of Arab ground attack aircraft may soon mean that the Arabs will have a deep strike capability against Israel, raising the spectre of a surprise attack in the air. The sheer number and diversity of revolutionary new systems being introduced into Arab arsenals at the same time raises the possibility of technical breakthroughs that will give an unforeseen advantage to the Arabs (as new missiles and radars did in 1973). The shift that is taking place in several Arab states, from Soviet to Western sources of arms, worsens Israel's problems, because most of its countermeasures are designed against Communist rather than Western systems. The very plurality of the arms which Israel now faces, in both numbers and types, raises the danger of a saturation effect, a point beyond which Israel cannot cope. Finally, as noted above, the growing interventionary power of the Soviet Union raises an unprecedented danger of escalation to superpower involvement.

These new problems come on top of some asymmetries which have long characterized the conflict. The Arabs are able to maintain standing armies while Israel relies on reserves, creating favorable conditions for an Arab surprise attack. In the diplomatic context of Middle Eastern wars, Israel is expected to allow the Arabs to fire the first shot, thus conceding the advantage of choosing the time and place of conflict. The Arabs can lose one war after another and come back to fight again, but Israel cannot afford to lose even one. If Israel wins on the battlefield, it is not permitted to translate these results into a peace settlement at the conference table, but must settle for mere cease-fires and begin to prepare for the next round of fighting which the Arabs openly declare is their intention.

In sum, the military balance at this moment may seem favorable to Israel because of the sharp divisions which now characterize the situation in the Arab world. But this advantage is temporary and cannot be the basis of sound planning. The longer-term trends in the military balance are disturbing, and Israel's requirement for U.S. aid to offset these adverse trends remains a vital need. The fact that net aid is declining in real terms does not help the situation.

In conclusion, then, the sum proposed for aid to Israel this year is offset by many advantages accruing to the United States and to Western security, and is one of the most cost-effective expenditures made by the United States in foreign policy and intenational security arena. From the pont of view of Israel's legitimate requirements, appropriation of the full amount, which actually represents a decline of 65 percent in net aid after inflation compared to a few years ago, is essential to maintaining a stable military balance. Although the figures before you may seem large in an absolute sense, they are minimal in light of the U.S. interests and vital Israel security needs that are at stake.

3. How does aid to Israel fit in the wider picture of U.S. diplomacy in the Middle East?

As the Congress turns its attention to the foreign aid package, it also needs to consider three issues in terms of the wider diplomatic/strategic environment of the Middle East: (a) the situation in Lebanon; (b) problems of U.S. arms sales to Israel's enemies; and (c) United States-Israel relations in the context of the peace process. I would like to take this opportunity to comment on these three key issues.

LEBANON

Israel's actions in Lebanon provide a vivid demonstration of the convergence of Israeli and American interests in the containment of Soviet expansionism in the Middle East, the elimination of the threat of international terrorism, and the creation of conditions necessary for regional peace and stability.

At the outset of Operation "Peace for the Galilee." Lebanon was in an advanced state of disintegration. It has become effectively partitioned between two Soviet proxies—the PLO and Syria. The PLO's state-with-a-state served as the hub of the international terrorist network. The attacks on Israel from Lebanon provoked Israeli reprisals and thus exacerbated the Arab/Israeli conflict for 12 years. This helped the Arab rejectionists to isolate Egypt and stall the peace process.

Now, Lebanon has the opportunity to reconstruct itself as a stable, orderly, and pro-Western state. Israel's use of force helped create order out of chaos. It destroyed the PLO's infrastructure and removed Lebanon as a source of both regional instability and world wide terrorism. As a result of the war, Moscow was discredited as an arms merchant, as a superpower protector, and as a party with influence in the region. With the defeat of the PLO and Syria—the most committed opponents of the Camp David Accords –the "moderate" Arabs have an opportunity to pursue a more constructive course.

Israel thus made a substantial contribution to the task of combatting the Soviet Union in the Middle East, at almost no cost to the United States. The demonstrated superiority of American weapons will impact favorably on the global military balance. On the diplomatic level, the Reagan Administration is seeking ways to exploit the opportunities created by Israel, in an entirely new Lebanese situation.

But, in a distressing reversal of perspective, U.S. diplomacy in Lebanon, instead of working with Israel as a reliable and effective ally, is defining its interests in opposition to those of the state which made it all possible. The Administration has, surprisingly, lost sight of the basic strategic issues, and is instead obsessed with problems of little real significance for the United States.

What is the United States' national interest in Lebanon? It is, first and foremost, to prevent that country from falling back once again under the influence of Soviet-allied forces. Second, it is to strengthen Lebanon's pro-Western government—not necessarily to solve every local problem, but to create conditions under which no challenge to that government by Syria, the PLO, and radical elements within Lebanon, can succeed. Third, it is to bring about peace between Israel and Lebanon, reinforcing both Egypt's position and the peace process. A fourth but probably unattainable objective is to bring about reconciliation between all the diverse factions within Lebanon and to solve its many other social, economic, and political problems.

But what is the Administration doing? It is putting all its effort into the single task of getting Israel out, showing very little concern over the PLO and the Syrian presence. It is opposing peace and normalization between Israel and Lebanon, even though only an alliance with Israel can offset Syrian influence in the country and give the new regime any prospect of long-term survival.

It is doing this on the implausible assumption that, if we only got the Israelis out, the Syrians and the PLO would leave and peace would break out among all the internal factions. In truth, if Israel withdrew precipitously, a more likely result would be chaos, followed by the resumption of the war of each against all, followed by the reemergence of the Syrian and PLO influence.

The first task of U.S. diplomacy should be to secure the removal of the Syrians and the PLO. Former Secretary of State Kissinger recently commented that, "People forget that after Israel's part of this negotiation is concluded, one has to go to the Syrians and see whether they agree. And, if I know anything about the Syrians, they will not accept the results of an Israeli, Lebanese, and American negotiation without a long negotiation by themselves."

Beyond this, why should the United States object to normalization between Israel and Lebanon, and why oppose simple security arrangements in the south, which are all Israel seeks to withdraw? The answer given by Administration officials—that this would impede Christian/Moslem reconciliation in Lebanon and reduce the credibility of the new government in the eyes of Syria and the rest of the Arab world—is not convincing. Recreating Christian/Moslem harmony is like teaching the zebra to fly again: it never happened and never will. Moreover, there is a natural alliance between the Christians of Lebanon and the Western world. Most of the Moslems, who look to the East, have never felt any particular affinity with the United States and Europe. The objective interest of the United States in Lebanon is with the Christians and the Israelis.

As to gaining Syrian acceptance of the Lebanese Government, this is a particularly dangerous and erroneous way of describing the U.S. interest. Syria is and seems likely to remain a Soviet ally, a rejectionist state, and an unspeakable tyranny. It has territorial aspirations in Lebanon, has never recognized it as a separate nation, and would destroy the new government there if it could. It is very possible that the Syrians were responsible for assassinating the former President-elect and brother of the current president of Lebanon. The regime in Damascus is a brutal dictatorship which recently killed 10,000 of its own citizens, and it has no strategic or moral reason to feel kindly to the present regime in Lebanon. Premising the future Government of Lebanon and U.S. policy in the region on Syrian approval is tantamount to giving a veto to the most intransigent and dangerous actor in the whole situation.

A problem of even greater magnitude but of relatively little interest to the Administration is the growing Soviet military presence in Syria. At this time, SA-5 missiles are being emplaced in Syria which can reach all of Lebanon, northern and central Israel, and deep into Turkey and the eastern Mediterranean. The Missiles and the positioning of Soviet troops indicates that the new Soviet leadership has decided not only to expand significantly its commitment to Syria's war-making capability, but also signals its determination to maintain a position of influence in the Middle East heartland. This activity must be viewed as part of the Soviet global strategy in the Middle East reflected in its occupation of Afghanistan, its designs on Iran, and its alliance with Libya. Paradoxically, the Administration is less con-

cerned with the implications of this renewed Soviet activity for NATO and the heightened chance of a superpower confrontation, than with the ejection of its consistent ally, Israel. This is the case even though the Soviet proxies in Lebanon continue to refuse to withdraw.

Another objective of U.S. policy in Lebanon is the establishment of a strong central Lebanese authority which is pro-American and pro-Western. Israel's operation made it possible to join forces with those Lebanese elements who share an organic bond with the United States—namely, the Lebanese Christians and those Moslems favoring a pro-American alignment.

Finally, U.S. policy as it stands ignores Israel's legitimate security requirements in Lebanon. Israel went into that country to wipe out the threat of PLO rockets which held one fifth of its population hostage for over a decade. To withdraw without the necessary security measures would enable terrorists to return to southern Lebanon and threaten to renew the cycle of violence and instability.

Only after progress in Lebanon is decoupled from other problems in the area and negotiations are conducted with a perspective on the wider context of United States strategic interests there—containment of Soviet expansion in the region and the establishment of a friendly Lebanese Government—can a realistic solution be reached.

ARMS SALES TO ISRAEL'S ENEMIES

The Congress will soon face a decision on the sale of advanced fighters and missiles to Jordan. This comes on the heels of major sales to Saudi Arabia and Egypt, which have raised serious problems, and the package that is apparently intended by the Administration for Jordan may prove to be the most troublesome of all.

Today, the Arab states on Israel's borders are engaged in a military buildup larger even than the Syrian-Egyptian expansion of 1968–73, involving a larger number of states, a wider array of suppliers, and far more advanced equipment. Particularly alarming is the role of the United States in fueling this buildup. Whereas, before 1973, the Soviet Union was the most important provider of arms to the confrontation countries, today the United States is the principal supplier to four of the five Arab states closest to Israel, and American weapons will almost certainly play an important role for any Arab coalition attacking Israel in the future. By supplying Jordan and Saudi Arabia, which have played minor roles in past wars, the United States is encouraging these countries to play a more significant part in any future attack on Israel. If a conflict does occur, this may produce a situation in which U.S. action has exacerbated the Arab-Israeli conflict, and in which the United States will be torn between the two sides.

Jordan stayed out of the 1973 war because it lacked an air defense system, but the United States is now providing one. Saudi Arabia played a secondary role in 1973 (as it did in 1967 and 1948), because it lacked a significant capability for power projection, but the United States is now building up Saudi capabilities in this area. This is contributing to the dynamic of escalation between Israel and these Arab countries. If in the future they get into a war with Israel and do well, we will have seriously hurt Israel; if they fare poorly, they will blame the United States. We are slipping into a no-win situation.

The Administration says it is providing arms to aid these countries against other regional threats, e.g., Saudi Arabia against Iraq, and Jordan against Syria. But the Saudis themselves consider Iraq an ally and they are providing aid to Baghdad to buy more arms. Jordan will never have the capability to match the far larger Syrian army and air force. Neither Saudi Arabia nor Jordan currently deploys its army as it would if it took these threats seriously as the basis for military planning. Instead, both keep the largest part of their armies on the front facing Israel. The Arabs themselves openly state that they are arming against Israel; only in Washington do we hear the fiction that the purpose is all these other threats.

The Administration also says that it is providing arms to the Arabs in support of the peace process. Yet Saudi Arabia continues to reject the Camp David process, is conceded by Administration officials to be less than helpful in Lebanon and, far from encouraging King Hussein to join the peace process, is holding him back.

In the case of Egypt, we proceeded more sensibly, providing arms only after the peace process was well underway. But even here, it is not clear that arms have cemented the ties of peace. Egypt has dramatically slowed the pace of normalization, restricted trade, and recalled its Ambassador from Israel. It has also moved closer to some of the confrontation states, readmitted Soviet technicians, and cut back on strategic cooperation with the United States (including cancellation of the second part of Operation Bright Star '82). As the modernization of its army matures with U.S. help, the pressure within the country to rejoin the struggle against Israel may

intensify. The poor state of the army has been one of the reasons given for standing back from confrontation; as the U.S. arms flow in, this part of the argument will be weakened.

But the next case to come before Congress is arms to Jordan. King Hussein has still not agreed to sit down to talk, but reportedly has been promised advanced aircraft, mobile I-Hawk missiles, and other equipment as well as training for a Jordanian Rapid Deployment Force, not to mention a host of political concessions. From the point of view of Israeli security, Jordan poses a qualitatively unique problem, because it shares the longest border with the Jewish State and has the airfields closest to key targets. Amman is barely 50 miles from Jerusalem; Jaafar is less than 8 minutes flying time from Eilat; and Mafrak is less than 100 miles from Tel Aviv. These conditions make Jordan the state best positioned to spearhead a surprise attack against Israeli airfields and cities. The placement of advanced jets with fast scramble times, excellent ground attack capabilities, and accurate weapons delivery systems in Jordan will force Israel to take strong defensive measures if Jordan is part of a situation of escalating tensions. American arms to Jordan may worsen relations between the two countries instead of advancing the peace process, eroding the modus vivendi which has enabled them to avoid serious conflict for the past 16 years.

To prevent embarrassment to the Administration later, it is important for the Congress to let its views be known now, before notification of the sale is sent to Capitol Hill, that arms to Jordan are unwarranted until King Hussein actually joins serious negotiations. This means not only direct talks, but a substantive position that goes beyond mere posturing. We cannot conduct our Middle East diplomacy solely on the basis of trying to meet every Arab demand to curry their favor. Arms to Jordan at this point simply do not make sense.

THE PEACE PROCESS AND U.S.-ISRAEL RELATIONS

Finally, this is an appropriate occasion to review the overall state of United States-Israel relations in the context of the peace process. There seems to be general agreement in Washington and in Jerusalem that relations are seriously strained and may in fact be on a collision course. But there is also agreement that the moral and strategic bonds between the two countries are vital to the interests of both. What can be done to stop the deterioration and get back on a constructive basis?

Administration officials are placing the blame on Israel. They argue that only changes in Israel will improve the situation. But the direction in which the Administration itself is headed is a major part of the problem, and much could be done on this side of the water to move in a more positive direction.

The Administration has been pursuing a policy premised on and obsessed with conflict with Israel. High Arab officials visiting Washington have been treated royally, including in recent weeks, the Kings of Morocco and Jordan and the President of Egypt. Saudi princes are the object of particular devotion and genuflection. By contrast, visiting Israeli officials are given the cold shoulder, and Prime Minister Begin is not even allowed to come to discuss the problems that exist.

The President's own regard for Israel is said to be favorable. I believe this. Yet, he has not taken a single major initiative in 2 years in office which would reasonably be described as helping to improve the relationship. Although the Administration denies that it considers massive pressures an appropriate way to deal with an ally like Israel, it has in fact invoked more sanctions over a longer time period than any preceding Administration, including: suspending for over a year now the agreement on strategic cooperation; refusing to complete the sale of F-16s which its own specialists have confirmed are necessary to offset the massive quantities of arms going to various Arab countries; holding up approval of technology transfers for the Lavi aircraft; and, most importantly, sending and then leaking to the press menacing notes to the Prime Minister of Israel implying that the entire relationship may be in question. Recently, the Administration has hinted darkly that still more sanctions lie ahead.

Some in the Administration are constantly advising the President that, if only he "cracked down" on Israel, the core problems of the Middle East could be solved. This is a dangerous illusion. Israel is a proud and independent country. As the world knows, it is quite able and committed to defend its vital interests, and it is simply unrealistic to imagine that any arrangements can be arrived at in negotiations between the United States and the Arabs, and then somehow imposed on Israel. Progress toward peaceful coexistence in the Middle East requires working with Israel, instead of treating her as an adversary while consulting intimately with those who would destroy her.

The Administration's behavior is convincing an important minority in Israel that the United States is not a reliable ally, and that they must be prepared to go it alone. This loss of confidence is destructive to the long-term interests of both countries and it could, if things get worse, force Israel to consider what it will do if it is completely isolated while the Arabs continue their military buildup.

It is also a profound mistake to premise U.S. policy on a change of government in Israel. Israel is a democracy in which the people choose their own government. Menachem Begin is the people's choice to be Prime Minister, and it is time to stop mocking and maligning him and to begin according him the respect to which he is entitled as the democratically elected leader of our only permanent Middle Eastern ally. If the people of Israel decide to change their government, that is their decision to make. But, if Washington persists in a policy that it imagines will "save Israel from herself," it will find that the Israeli reaction is to save herself from the United States. Moreover, key elements of the Administration's approach are unacceptable, not just to the Likud government, but to the great majority of Israelis of all parties, including Labor.

A realistic American policy is one that works with Israel, not against her. The Administration must stop conducting guerrilla warfare against Israel on the front pages of our daily newspapers. The United States should strive to restore the mutuality of the relationship and correct the harm that has been done by past pressures, not sink deper into the quagmire.

Clearly, it is time for the United States, and especially the Reagan Administration, to lift its eyes from the lesser problems of the Middle East, many of which have little real consequence for the United States, and to return to the essential strategic realities of the region which affect vital American interests. In the past 24 months, Israel has driven two Soviet clients—the PLO and the Syrians—out of a major Arab capital and saved Lebanon for the United States and the West; relinquished the Sinai, helping to cement the bond between the United States and Egypt; and delivered a major blow to the reputation of Soviet arms, on which Moscow's influence in much of the world depends. Yet, to listen to some of the President's top advisors, all of this is insignificant compared to an argument over the exact security arrangements that are desirable in southern Lebanon.

When a partnership is strained, it is not enough for one side to call on the other to make all the changes, Nor is it constructive to focus obsessively on the differences, and to ignore the common interests. Much can be done in Washington, now, to improve a relationship that is much more significant for the long-term interests of the United States than many of the countries being so ardently pursued today.

CONCLUSION

This is a time of trial in the United State-Israel alliance, but also a time of creative opportunity. The moral bonds between the two countries are strong and secure, and have recently been reaffirmed by the American people in a series of public opinion polls. The strategic relationship is, in spite of obstacles, growing in importance, though there is great potential for future cooperation to enhance the position of both countries and the Western world in general.

The aid package before you can make an important contribution to these ends. It represents a significant decline in net aid in real terms compared to past years, and I urge this Committee to make the necessary adjustments to help Israel maintain a stable military balance under difficult circumstances.

Beyond aid, there are serious strains in the relationship that can be overcome in a spirit of dialogue and compromise. The first necessity here is consultation, with a recognition that the relationship serves the vital interests of both parties.

APPENDIX

NET AID TO ISRAEL

Annual grants and loans less debt service

ADJUSTED FOR INFLATION
$ Million

FISCAL YEAR	TOTAL LOANS & GRANTS	DEBT SERVICE	NET AID (aid minus debt service)	INFLATION INDEX	NET AID ADJUSTED to INFLATION
1976	2,214*	376	1,838	100	1,838.0
1977	1,742	440	1,302	107	1,214.0
1978	1,791	561	1,230	115	1,067.6
1979	1,790		1,110		834.6
incl. Camp David	2,790	680	2,110	133	1,586.0
1980	1,786		1,196		802.2
incl. Camp David	2,786	590	2,196	149	1,473.0
1981	1,985		1,305		781.4
incl. Camp David	3,185	680	2,505	167	1,500.0
1982	2,185	810	1,375	182	755.5
1983	2,485	910	1,575	195	808.1
1984	2,485	1,150	1,335	202	661.0

*Excludes Transitional Quarter for comparability

Senator BOSCHWITZ. Thank you very much. Senator Pell, I think we will go on with the witnesses and then question them at the end.

The second witness is David Sadd of the National Association of Arab Americans.

STATEMENT OF DAVID J. SADD, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF ARAB AMERICANS, WASHINGTON, D.C.

Mr. SADD. Mr. Chairman, I appreciate this opportunity to testify. I have already provided written testimony, and I will give you oral testimony which highlights some of our thinking.

It is clear to Arab Americans, and over the past year it has become clear to a large and growing segment of the American

people, that, however good and honorable our intentions, American foreign aid, or at least that portion of American aid that is going to Israel, is not encouraging stability and peace in the Middle East. On the contrary, it has inadvertently contributed to the unspeakable violence and devastation that has characterized the region over the past year.

It is time, Mr. Chairman, that American aid to all nations, including Israel, be contingent upon behavior which is compatible with American's national interests. It is time that Israel be held to the same standards to which we require all other countries to adhere.

I will comment in my oral testimony on three principal areas of concern: One, the supplemental request for Lebanon; two, the administration's recommended foreign assistance levels for Egypt, Jordan, and the West Bank and Gaza; and three, the relationship between our massive aid to Israel and the policies of Israel, and the responsibilities of the U.S. Congress in that regard.

This year President Reagan has requested a supplemental appropriation of $251 million for war-devastated Lebanon. While modest in comparison with Lebanon's needs and tiny in relation to the welfare which Israel is provided, the President's request represents a positive step toward helping Lebanon rebuild—a step which we welcome warmly.

We strongly urge that Congress increase the amount of economic and military aid to Lebanon and continue these levels or increase them dramatically into fiscal year 1984.

We also recommend that Lebanon be extended the same proportion of grants and loans as proposed for Israel.

With regard to Egypt, we support the administration's proposals for economic and military aid. Egypt is an important Arab country and a close friend of the United States. We urge that Congress consider extending a larger portion of its foreign military sales aid to Egypt in the form of grants. And again, we recommend a proportion similar to that which is provided to Israel.

With regard to Jordan, the friendship between Jordan and the United States has been long and enduring despite the differences that exist between the two countries concerning the Israel-Palestinian conflict. Jordan is an indispensable element in any efforts to secure a just and lasting peace in the Middle East.

We endorse the administration's proposals to increase FMS to Jordan and to maintain economic support funds for Jordan at the level of $20 million. Again, we recommend that aid to Jordan be extended in the same proportion of grants and loans that is proposed for Israel.

With regard to the West Bank and Gaza, we are gravely concerned that Israel policies are undermining the chances for a peaceful settlement. The small program funding economic and social development in the West Bank and Gaza has a very high impact. We urge that funding for the West Bank and Gaza be increased from the $7 million to the $15 million level for fiscal year 1984.

The last topic I would like to cover is the linkage of our aid to Israel and the policy of Israel. We do oppose the disproportionate amount of American foreign aid going to Israel in fiscal year 1984.

Although Israel enjoys the highest per capita GNP of any country in the region, it nonetheless will receive a higher amount of aid than any other recipient nation.

Israel must be held accountable for the policies it pursues in the Middle East. Unless the United States is willing to reduce or suspend military aid to Israel when it pursues military policies that violate U.S. laws, Israel will continue to violate those laws.

The fundamental objective of our organization this year is to work toward a negotiated Middle East peace, a peace which provides the opportunity for all people in the region to live in safety and security.

There are three essential ingredients to obtaining this peace: One, a Lebanon free from all foreign forces; two, a homeland for the Palestinians in the West Bank and Gaza to provide fulfillment of the national aspirations of the Palestinian people in their quest for self-determination; and three, American use of its massive economic and military aid to Israel as a lever to force Israeli cooperation in the achievement of a negotiated peace.

We have many times in the past urged a linkage of American aid to Israel to Israeli political performance. After Israel bombed Lebanon and bombed the Iraqi nuclear reactor in the summer of 1981, we published an open letter in the Washington Post, and I have brought a copy of it.

In it we said, and I quote, "Unless the U.S. Congress acts now, history will repeat itself, and the level of Israeli terror will rise further." Congress did not act then. Israel went on to annex the Golan Heights. Israel was responsible for shootings and deaths of Palestinian teenagers in the West Bank.

In the spring of 1982 we distributed a research alert to every Member of Congress. In fact, it was included as an enclosure to our testimony before this subcommittee this past year.

The research alert was entitled "High Risk of Israeli Invasion of Lebanon." It called on the Congress to threaten all unequivocal opposition to an invasion of Lebanon by Israel. We called for an American warning to Israel that the invasion would bring a strong U.S. congressional response. There was no warning from the Congress.

Israel invaded Lebanon. Israel put Beirut under siege. As many as 20,000 people were killed, over 30,000 wounded, and hundreds of thousands made homeless. Congress did not respond. Finally, the massacre of the Palestinians at Sabra and Shatilla occurred.

Our recommendations and urgings to the Congress have, we are afraid, fallen on deaf ears, and the burden of this failure to heed our warnings has fallen upon the families of innocent Lebanese and Palestinians—their loved ones mutilated and dead, a whole country devastated.

There is nothing that we believe has shamed this country more than the failure of the Congress this past year to react to the horrible undertakings of the Begin-Sharon-led Israeli Government. While the world community stood in universal condemnation of the Israeli invasion of Lebanon, the siege of Beirut, and Israeli complicity in the massacre at the Palestinian refugee camps of Sabra and Shatilla, the U.S. Congress stood silent, silent until December 17,

when it voted an unprecedented $2.485 billion in aid to Israel for fiscal year 1983.

In this our reaction to the Israeli-sponsored bloodshed of the past year? Are we offering to foot the bill of that invasion?

Two critical issues stand between continued stalemate and risk of Middle East war on the one hand and progress toward a negotiated peace on the other: Israeli withdrawal from Lebanon and a freeze on Israeli settlements in the West Bank. Until Congress puts more teeth in the President's Middle East peace initiative, until there is linkage between our billions of dollars of aid to Israel and Israel's political performance, there will not be a successful Middle East peace process, and we may find ourselves next year with the blood of thousands of additional innocents on our hands on the occasion of hearings for the fiscal year 1985 foreign aid request.

I will close with a comment made in a letter to one of his constituents by a distinguished American who sets an example for all American elected officials. And I quote:

My interest is only in the promises we have made to defend Israel against attack. To that end I promise you, even at my advanced age, I will volunteer for service to do that. But, I will not permit the United States of America, my country and your country, to continue to furnish supplies for Israel to murder, massacre and destroy civilizations only because of the whim of what I consider to be one man, and that man's name is Begin.

I just do not want any of my grandchildren or your grandchildren to go through the horrors of war when those horrors are not needed. I am an American, and I am also a man who is part Jewish and extemely proud of that part, but I am an American and I think that explains where I stand on this whole thing. Sincerely, Barry Goldwater, United States Senator.

I thank you for this opportunity, Mr. Chairman.

[Mr. Sadd's prepared statement follows:]

PREPARED STATEMENT OF DAVID J. SADD

The National Association of Arab Americans welcomes the opportunity to present testimony to this Subcommittee concerning the Middle East portion of the Administration's fiscal year 1984 foreign aid request and the fiscal year 1983 supplemental request. As representatives of the more than 3 million Americans of Arab descent across the United States, the National Association of Arab Americans and its members are deeply concerned that American tax dollars be spent in such a way as to promote U.S. interests in the Middle East most effectively by encouraging peace and stability in the region and contributing, within the limitations of severe budgetary constraints, to the economic development of our friends.

We need not remind members of the Subcommittee that whatever levels of foreign aid assistance may be appropriated, they will reflect United States values and priorities and will be so interpreted by the rest of the world. The United States has always had a strong moral commitment toward promoting respect for human rights throughout the world and our foreign aid program has traditionally been utilized as one means of observing that commitment. Indeed, Congress has adopted legislation which prohibits foreign aid from being granted to any country which "engages in a consistent pattern of gross violations of internationally recognized human rights," and it is vital that we adhere to this legislation to preserve our credibility.

It has become clear to a large and growing segment of the American people over the past year that, however good and honorable our intentions, American foreign aid, or at least that portion of American aid that is going to Israel, is not encouraging stability and peace in the Middle East. On the contrary, it has inadvertently contributed to the unspeakable violence and devastation that has characterized the region over the past year.

By donating billions of dollars of aid to Israel without holding it accountable for its actions in the Middle East and elsewhere, we are enabling Israel to pursue policies that damage American's national interests and jeopardize the peace process. By extending billions of dollars of military aid to Israel annually, we are contributing to a widening of the military imbalance in the region that only encourages Israel to

settle by military means those issues which it ought to be settling at the negotiating table.

Our generosity to Israel is even more striking when it is compared to the conditions and requirements attached to extending military and economic aid—even cash military sales—to the Arab World. Discussions on aid or arms sales to Arab friends and allies have routinely elicited determined efforts, particularly within Congress, to require specific concessions from them. All too frequently the American people are told that we can only bring Israel to the negotiating table if we supply it with enough arms and aid to make it willing to bargain. It is claimed, on the other hand, that the Arab countries can only be brought to the bargaining table by imposing pressure on them through the withholding or limitation of aid. This tendency to extend the carrot to Israel and the stick to our Arab friends does not contribute to the search for peace.

Our great nation has demonstrated over the years its commitment to preserve the security of Israel. We submit, however, that the United States should have equal concern for the security of our friends and allies in the Arab World. The Israeli invasion of Lebanon has made clear that Israel's neighbors have every reason to fear Israel's military preponderance and its proclivity to wield disproportionate and irresponsible force against them whenever it wishes to do so.

It is time, Mr. Chairman, that American aid to all nations, including Israel, be contingent upon behavior which is compatible with America's national interests. The United States has traditionally not hesitated to withhold aid to foreign nations that have pursued policies held to be either incompatible with our national interests, disruptive of our foreign policy or in violation of the high ideals that our nation and people hold most dear. It is time that Israel be held to the same standards to which we require all other countries to adhere.

In the past 2 years, the National Association of Arab Americans has, on numerous occasions, protested against specific Israeli actions which have been disruptive of the peace process or in violation of international law. On each occasion we have urged that continued aid to Israel be made contingent upon cessation of such activities. Among the actions to which we have objected are: the destruction of an Iraqi nuclear research facility in June 1981, the bombing of Beirut in July 1981 (which left 300 people dead), the annexation of the occupied Syrian Golan Heights in December 1981, the invasion of Lebanon in June 1982, the siege of West Beirut, the categorical rejection by the Israeli Government of President Reagan's Middle East peace initiative, the increase in Israeli settlement activity in the occupied territories and the massacre at the Palestinian refugee camps of Sabra and Shatila, which took place at the very least because of the "indirect responsibility" of the highest Israeli officials.

Israeli settlement policy in the territories occupied since 1967 has become a central issue in the quest for peace in the Middle East. President Reagan's peace initiative outlined on September 1, 1982, reiterated the provisions of Security Council Resolutions 242 and 338 that call for withdrawal from occupied territories in exchange for peace. The United States has taken the position that prior to a final negotiated settlement, the Palestinians in the West Bank and Gaza must be allowed to practice self-government for a transitional period. In order that this can be made possible, Israel must eventually desist from actions that "create facts" in the territories or create conditions that would make Israeli concessions difficult in negotiations for an overall settlement.

President Reagan's peace plan spelled out this position clearly in a statement in which he said, "The United States will not support the use of any additional land for the purpose of settlements during the transition period." The President then called for "the immediate adoption of a settlement freeze by Israel," as this could "create the confidence needed for wider participation in these talks. Further settlement activity is in no way necessary for the security of Israel and only diminishes the confidence of the Arabs that a final outcome can be freely negotiated."

These Israeli actions and others have embarrassed the Reagan Administration and often been harmful to the conduct of American foreign policy in the region. In the aftermath of Israel's tragic and unjustifiable invasion of Lebanon, for example, an invasion which left nearly 20,000 Lebanese and Palestinians dead—most of them civilians—and many tens of thousands of others wounded or homeless, the United States has been forced to rush millions of dollars in humanitarian aid to Lebanon in order to help it recover from a war which was conducted largely with American military equipment and financed with funds made possible through massive infusions of American economic assistance. As the President's supplemental request for Lebanon makes clear, it will be necessary in the future to supply hundreds of millions of

dollars in additional assistance to Lebanon in order to help it recover from the devastation it has suffered.

Our interest in this issue is not academic, Mr. Chairman. Many of our members, both Lebanese and Palestinian, have lost friends or relatives in Lebanon in the past year.

The United States has, moreover, been forced to send American troops to occupied Lebanon in order to help provide the conditions necessary to achieve the withdrawal of all foreign forces—particularly Israeli forces—from that beleaguered country. We need not remind this Subcommittee that one American soldier was killed in Lebanon last year by the explosion of a cluster bomb that had been used by Israel in its invasion, despite supposedly solemn assurances that such weaponry would not be used in an offensive war. We need not remind this Subcommittee either that there has recently been a series of confrontations in Lebanon between Israeli occupying forces and U.S. Marines or that Secretary of Defense Caspar Weinberger recently declared, quite correctly, that the latest incident, in which a U.S. Marine refused to let Israeli tanks into American-patrolled territory, was "basically damaging to the President's efforts to secure peace in the whole area."

Israel's belligerency in Lebanon has also brought the United States into yet another round of seemingly endless negotiations, this time to end Israel's military occupation of Lebanon. Last year at this time, the National Association of Arab Americans warned this Subcommittee that Israel was poised to invade Lebanon and that it was prepared to do so despite the fact that the cease-fire arranged by U.S. Special Envoy Philip Habib in July 1981 was being generally adhered to by both sides. We submitted to this Subcommittee a research alert prepared by our organization entitled "High Risk of Israeli Invasion of Lebanon" and urged the Congress to act on the matter at once. Unfortunately, our warnings were not heeded.

Had Israel been willing, the cease-fire, which called for an end to hostilities across the Lebanese-Israeli border, would have held idefinitely and progress could have been made in the search for Middle East peace. Instead, Israel chose to use the pretext of the dreadful assassination attempt on the life of the Israeli Ambassador to the United Kingdom as an excuse to lay waste to Lebanon. As this Subcommittee knows, the assassination attempt was not carried out by the Palestine Liberation Organization, as Israel claimed, but by a group that had carried out assassination attempts on both Israeli and PLO targets in the past.

Now, following the invasion, negotiations to secure a withdrawal of Israeli troops from Lebanon are dragging on and on, with no sign of success. This is a gigantic step backward, paid for by the lives of thousands of people. As this Subcommittee is doubtlessly aware, less than one month ago President Reagan observed that "there's a certain moral point that we think the Israelis are neglecting or not observing," namely, that the new government of Lebanon has asked all foreign forces to leave and therefore Israel is "technically in the position of an occupying force."

The negotiations to secure withdrawal of foreign forces from Lebanon, moreover, are sidetracking U.S. efforts to settle the overall Israeli-Palestinian dispute. When President Reagan introduced his Middle East peace initiative last September, he gave a needed and valuable impetus toward settling that dispute. As the President stated so eloquently in his address to the nation, the problem is to find a way "to reconcile Israel's legitimate security concerns with the legitimate rights of the Palestinians." Moreover, as recently as February 23, 1983, President Reagan indicated that we "can't go on with these people in not providing something in the nature of a homeland."

Unfortunately, the President's initiative has been categorically rejected by Israel. The government of Prime Minister Menachem Begin has clearly stated that it will never relinquish the West Bank and it has greeted the President's call for a cessation of new settlements with a defiant and frenetic increase in settlement activity, presumably as a prelude to outright annexation of the occupied territories.

The President's Middle East initiative was greeted much more favorably in the Arab World. The Fez Summit Conference last September put forward a unified Arab set of peace proposals that took the President's intitiative into account and implied recognition of Israel's right to exist. Following the Fez Conference, Jordan's King Hussein and Palestine Liberation Organization Chariman Yasser Arafat held a series of meetings aimed at building mutual cooperation and formulating a common stance on Middle East issues. These positive developments need to be encouraged and nurtured.

One way to encourage such developments would be for Congress to give unmistakable and concrete support for President Reagan's Middle East peace initiative. Confusion has arisen on the part of many countries as to what extent the President can rely on the Congress for support of his initiative. This confusion was reinforced

during the lame-duck session of the previous Congress, when a significant increase in grant aid to Israel was approved in a continuing resolution over the express objections of the Reagan Administration.

THE PRESIDENT'S FOREIGN AID REQUESTS

It is apparent from the Administration's foreign aid request that the primary beneficiaries in fiscal year 1984, as in fiscal year 1983, are Israel and Egypt. Although the total amount of assistance to Israel and Egypt are somewhat similar (approximately $2.5 billion for Israel and $2.3 billion for Egypt, including Public Law 480 food aid), assistance for Israel is far more generous. Under the terms of the Administration's proposals, Egypt, with a very low per capita GNP of only $650, will receive a sum of approximately $51.80 for every Egyptian. Israel, on the other hand, with an extremely high per capita GNP of $4,500 and a high standard of living, will be receiving the enormous sum of $634.60 for every Israeli citizen. There can be no justification for compelling the American taxpayer to provide each and every Israeli citizen with such extravagant doses of welfare when Americans, suffering from high unemployment rates and enormous budget deficits, are being required to tighten their belts back home.

I would now like to comment on several of the specific proposals in the foreign aid request and make recommendations concerning them.

1. Lebanon

We are gratified by the bipartisan support that has arisen in Congress towards dramatically increasing the amount of aid to Lebanon. Successive Administrations and Congresses have been acutely aware of the many problems facing Lebanon and have been sympathetic to the Lebanese and their plight, but they have been unwilling or unable to provide Lebanon with the assistance necessary for it to overcome the debilitating effects that years of civil strife has had upon it.

This year, President Reagan has requested a supplemental appropriation of $251 million for war-devastated Lebanon to help the process of recovery which must take place in the aftermath of the Israeli invasion. While modest in comparison with Lebanon's needs and tiny in relation to the welfare which Israel is provided, the President's request represents a positive step toward helping Lebanon rebuild. It is a step which we welcome warmly.

Nevertheless, if Lebanon is to recover fully from the devastation that it has suffered and is suffering under Israeli occupation, additional sums must be earmarked for Lebanon, and the United States must be willing to maintain these higher levels for some years to come. We strongly urge that Congress increase the amount of economic and military aid to Lebanon. We recommended that, in view of the widespread destruction and economic dislocation inflicted in the past year, aid to Lebanon be extended in the same proportion of grants and loans as is proposed for Israel.

A strong and stable Lebanon is a prerequisite for the achievement of a comprehensive and lasting peace in the Middle East. We support the Administration's efforts to achieve the withdrawal of foreign forces, particularly Israeli forces, from Lebanon. The United States must encourage a process whereby the legitimate Government of Lebanon can become the sole guardians of peace and security in the country. The Lebanese armed forces must be strengthened and consolidated. It is essential that Lebanon achieve national reconciliation so that it can reunify and extend its sovereignty and authority up to its internationally recognized boundaries.

2. West Bank/Gaza

We are gravely concerned that Israeli policies in the West Bank of Gaza are severely undermining the chances for a peaceful settlement of the Israeli/Palestinian dispute. We are particularly troubled at the frenetic increase in Israeli settlement activity in the West Bank, the frequent closures of and interference with academic freedom of Palestinian educational institutions in the occupied territories, and revelations of harassment and mistreatment of Palestinian demonstrators in the occupied territories. Some of these problems are dealt with in the chapter on Israel and the Occupied Territories in the Country Reports on Human Rights Practices for 1982 recently submitted to the Foreign Relations Committee by the State Department.

The Palestinian Christian and Muslim inhabitants of the occupied territories, who have suffered under almost 16 years of Israeli occupation, are in desperate need of American assistance, since Israel refuses to meet their needs. The Administration has proposed that $7 million be funneled through private and voluntary organiza-

tions (PVOs). This represents a modest increase in aid of half a million dollars, but it is still woefully inadequate.

The Agency for International Development, in its official proposals submitted to Congress, has stated that:

Evaluations indicate that PVO projects are generally well designed and implemented. The numbers of projects proposed by community groups which are rejected or deferred by PVOs because of funding limitations indicate a substantial demand for assistance in self-help efforts which is not being met from other sources. The PVOs continue to encounter difficulties in obtaining clearance from the Israeli Government to proceed with individual sub-projects.

The small program funding economic and social development in the West Bank and Gaza has perhaps the highest impact on any American aid project anywhere in the world. We urge that funding for the West Bank and Gaza be increased to $15 million for fiscal year 1984 and urge further that the United States Government put increasing pressure upon Israel not to put intolerable obstacles in the way of economic development programs that the Arab people of the West Bank and Gaza need and deserve. A substantial increase in the West Bank/Gaza program can be a symbol of more constructive relationship between Americans and Palestinians and can reflect the increased emphasis on the Palestinians that the Reagan Administration has begun to display.

3. Egypt

We support the Administration's proposals of economic and military aid to Egypt. Egypt is an important Arab country and has long been close friend of the United States. It is essential that that friendship continue. We urge that Congress consider extending a larger portion of its Foreign Military Sales (FMS) aid to Egypt in the form of grants.

4. Jordan

The friendship between Jordan and the United States has been long and enduring despite the differences that exist between the two countries concerning the Israel/Palestinian conflict. Jordan is an indispensable element in any efforts to secure a just and lasting peace in the Middle East. We endorse the Administration's proposals to increase FMS to Jordan and to maintain Economic Support Funds (ESF) for Jordan at the level of $20 million. We urge, however, that aid to Jordan be extended in the same proportion of grants and loans as is proposed for Israel.

5. Israel

We oppose the disproportionate amounts of American foreign aid going to Israel in fiscal year 1984, particularly in the aftermath of the invasion of Lebanon. Although Israel enjoys the highest per capita GNP of any country in the Near East Region covered by the Administration's foreign aid proposals, it nevertheless will receive a higher amount of aid than any other recipient nation. Given Israel's status as the fourth strongest military power in the world and its unquestioned military superiority in the region, the amount of aid earmarked for Israel is exorbitant.

We note that, while the President has requested the same total amount of aid for Israel in fiscal year 1984 as he did for fiscal year 1983 ($2.485 billion), the proportion of aid he has asked be extended in the form of grants is substantially higher. The President's fiscal year 1984 requests include $26 million of additional ESF grants and $50 million of additional FMS direct financing, for a total of $310 million. This represents a very generous additional concession to Israel. We are opposed to the enormous amount of aid that is provided to Israel and we urge this subcommittee not to recommend terms that are even more favorable than the President has requested.

Israel must be held accountable for the policies it pursues in the Middle East. Unless the United States is willing to reduce or suspend military aid to Israel when it pursues military policies that violate U.S. laws, including the Arms Export Control Act, Israel will continue to violate those laws. Unless the United States puts Israel on notice that it will reduce its economic assistance if Israel continues to establish new settlements in the West Bank and Gaza and reduce U.S. assistance by the amount of money spent by Israel in the pursuit of those policies, Israel will continue to ignore American condemnations and defy American wishes.

The International Edition of the Jerusalem Post reported earlier this year that Israel Defense Ministry officials had estimated that the cost of the invasion of Lebanon until March 1983 would be 38.2 billion Israeli shekels, corresponding to approximately $1.44 billion. The same issue reported that the cost of settling each Jewish family in the West Bank is four to five million Israel shekels, corresponding to ap-

proximately $151,000 to $189,000 per family. There are reports that Israel is now luring settlers into the occupied territories by subsidizing housing at prices cheaper than those found in Israel itself. There can be no justification for asking the American taxpayer to finance the invasion and continued occupation of Lebanon or to fund the settlement activity in the occcupied territories that is currently taking place.

U.S. law (P.L. 94-329) prohibits foreign aid from being granted to any country which "engages in a consistent pattern of gross violations of internationally recognized human rights." Many of the Arab inhabitants of the occupied territories have been subjected to a pattern of deprivation of their human rights by the Israel Government and the Israel occupation forces. We strongly urge the U.S. Congress to withhold economic and military aid to Israel when such rights violations occur in order to discourage Israel from continuing these unlawful practices.

[From the San Diego Union, June 20, 1982]

FORD: BEGIN SHOULD BE BETTER ALLY OR LOSE AMERICAN AID

(By R. H. Growald)

RANCHO MIRAGE.—Former President Gerald R. Ford says Israeli Prime Minister Menachem Begin should be a better American ally or Israel should lose part or all of its $3 billion-a-year military and economic aid from the United States.

"I think President Reagan has to sit down and be very firm with Mr. Begin," Ford said in an interview last week. Mr. Reagan and Begin are scheduled to meet in Washington tomorrow.

Asked whether further U.S. aid to Israel should be contingent on Begin being more cooperative with the United States, Ford said, "Absolutely."

"American taxpayers expect better cooperation in their providing Israel with $3 billion a year in arms and economic aid."

The 68-year-old former chief executive was interviewed in his office here where a window to his left overlooked the 13th hole of the Thunderbird golf club.

He talked of Israel's invasion of Lebanon, of the British-Argentine fighting in the Falklands, of the economy and politics.

"I certainly do not approve the actions of the Israelis going as far (into Lebanon) as they have. I can understand them wanting to clean out an area that would give them security from PLO (Palestine Liberation Organization) shelling.

"But I am very, very apprehensive about the military action that they took, which, in the long run, is not in the best interests of the United States."

Ford, who visited the Middle East and was hosted by Begin in 1979, spoke carefully, almost slowly. As president, with then Secretary of State Henry A. Kissinger at his side, Ford had engineered Israeli-Egyptian fence-mending as a basis for peace.

"It bothers me that Mr. Begin undertakes these military actions with a good bit of the military equipment supplied by the United States," Ford said. "And Mr. Begin, at the same time, seems to disregard the views of President Reagan and Secretary of State (Alexander) Haig.

"Furthermore, I believe that a valid argument could be made that the use of those arms supplied by the United States is in violation of U.S. Law. Those arms are made available to Israel for defense, not aggression."

Ford stressed the importance of the scheduled Reagan-Begin meeting. "Mr. Begin has got to be more cooperative with the United States in how he proceeds in the Middle East, particularly if he wants $3 billion a year in U.S. military and economic assistance."

Ford said the Israelis have clobbered the PLO, but said the PLO cause will not go away.

"There is no doubt Israel has wielded a devastating blow to the PLO military structure and to the PLO logistical set-up. Israel probably has captured a number of PLO leaders. However, that is not going to destroy the PLO's means and objectives.

"There will be others who come along and push the PLO policies and programs. They will have to operate from different bases. They will be handicapped for some months.

"There are an awful lot of Palestinians and I'm sure the Israelis cannot capture or kill all of them. So the Palestinians are still going to be around," Ford said.

[From the Chicago Tribune, July 11, 1982]

Reassessing Relations

(By George Ball)

The advent of a new U.S. secretary of state at a time when American-supplied tanks, guns and planes are slaughtering civilians in Lebanon re-emphasizes the urgent need to recast our arrangements with Israel. The relations between the two nations cannot long endure unless based on mutual trust. But for the last quarter-century we have not enjoyed—or insisted on—an abiding trust in our relations with the Israeli government.

The central flaw in those relations has been apparent since long before Prime Minister Menachem Begin's regime. For years Israeli leaders have repeatedly taken the United States by surprise to launch military adventures without regard to their effect on America's interests. They have planned these adventures stealthily, because it was clear that the United States would have opposed them had our government been informed in advance.

That pattern of conduct has been consistently followed since 1956, when Israel connived with the French and British governments to attack Suez. In 1967, Israel again invaded Egypt without informing our government. In June, 1981 it secretly launched a bombing attack on Iraq's nuclear reactor and a month later bombed a residential area of Beirut, killing an estimated 300 people, most of them civilians.

Most recently, it chose a time when President Reagan was in Versailles, and world attention still was focused on the Falklands crisis, to invade Lebanon. Even though Begin promised the President that Israeli troops would not go beyond a line 25 miles north of its border, the Israeli army kept going all the way to Beirut, while the Israeli air force continued to bomb refugee camps and civilian urban centers. The civilian carnage was frightful.

Finally, although Begin assured the President that Israel would not invade Beirut, the army continued moving toward the city center, smashing apartment buildings and inflicting heavy civilian losses.

All this is part of a pattern for American-Israel relations that has now become routine.

First, Israel embarks secretly on some military adventure, usually when America's attention is distracted by events elsewhere.

Second, the U.S. government responds, if at all, with mild threats that both sides know will never be carried out.

Third, when the Israeli government expresses anger at those threats, we appease it with more planes and guns.

Only once has the United States required Israel to pull back from one of its adventures. In 1957, following the 1956 attack on Suez, France and Britain withdrew their forces in response to a UN resolution backed by the United States, but Israel showed defiance.

Finally, impatient with Israeli instransigence, President Dwight Eisenhower forced the Ben Gurion government, kicking and screaming, to obey the UN resolution and withdraw its forces. The lever he used was a firm threat to cut off all American aid to Israel if it did not comply.

That was the last time any American president has shown the political courage to combat Israeli obduracy. After the 1967 war, the United States negotiated Resolution 242 of the UN Security Council which called for Israel's withdrawal from occupied territory to deliberately ambiguous "secure boundaries."

But, adjuring Eisenhower's practice of insisting on the enforcement of Security Council resolutions, we have permitted Israel to block the effective carrying out of Resolution 242 and to pursue a settlement policy that in effect is a creeping absorption of the occupied areas.

In the meantime, the Israeli leaders have continued to demand more and more sophisticated weapons, until our country has now made Israel the most powerfully armed nation in the area. Yet, even though we are supplying Israel with economic and military assistance at a rate roughly equivalent to $3,500 to $4,000 a year for every Israeli family of five, Israel continues to take us by surprise with actions carefully timed to catch us off balance, using our weapons for adventures that undercut our vital interests.

To believe that the decimation of the PLO leadership in Lebanon will pave the way for peace is pure wishful thinking. Making martyrs on a large scale, as the Israeli army and air force have been doing, will never kill the spirit of the Palestinians; instead, it will lead to increased bitter resistance and greater violence.

Instead of contributing to a solution of the festering Palestinian issue, which is the heart of the Arab-Israeli dispute, the devastation of Lebanon can only spread the radicalization of young Palestinians. Indeed, it will make it all but impossible to find Palestinian "Uncle Toms" with whom workable autonomy arrangements could be developed on anything like the plan which Prime Minister Begin now insists—and which amounts to little more than an Israeli version of apartheid.

What the cynical advocates of realpolitik ignore when they applaud the invasion of Lebanon is that our most valuable assets is the world's belief in America as a nation committed to justice and humanity. Now we have let our reputation be seriously compromised by permitting our planes, tanks and guns to be used to kill an estimated 10,000 civilians and wound perhaps twice that many.

What this history proves is that there cannot be a healthy relationship between two countries when one engages in repeated deceptions of the other and pursues its own objectives in disregard of the other's interests. Yet one hears it repeatedly said that America is powerless to disuade Israel from its willful actions, however obnoxious they may be.

Such a confession of impotence is not only unworthy of a great nation but quite unfounded in fact or experience, as Eisenhower showed in 1957. After all, there is nothing in our Constitution that requires the American taxpayer to continue to dole out $7 million a day to a nation that repeatedly defies us; we certainly do not treat the claims of America's poor as so sacrosanct.

That does not mean that one should begrudge our aid to Israel were it provided in the context of a self-respecting relationship, nor should there be any doubt that such a self-respecting relationship with Israel is possible. If we have not achieved it, the fault is ours.

One may hope, therfore, that George Shultz will undertake, among his first tasks as secretary of state to design a decent and defensible American relationship with Israel that will save us from the embarrassment and shame resulting from reckless adventures by the Israeli government. If we do not do so, if we continue our permissive course behaving as though we were Israel's satellite and permitting our Middle East policies to be made in Jerusalem, we are likely to be drawn into a deteriorating situation catastrophic for both sides and for world peace.

One can, as I do, support Israel as a Jewish national home—the original noble Zionist concept—but that does not mean that America should assist in building an Israeli empire.

Overview of Israeli Settlement Policies

INTRODUCTION

Israeli settlement policy in the territories occupied since 1967 has become a central issue in the quest for peace in the Middle East. President Reagan's peace initiative outlined on September 1, 1982, reiterated the provisions of Security Council Resolutions 242 and 338 that call for withdrawal from occupied territories in exchange for peace. The United States has taken the position that prior to a final negotiated settlement, the Palestinians in the West Bank and Gaza must be allowed to practice self-government for a transitional period. In order that this can be made possible, Israel must eventually desist from actions that "create facts" in the territories or create conditions that would make Israeli concessions difficult in negotiations for an overall settlement.

President Reagan's peace plan spelled out this position clearly in a statement in which he said, "The United States will not support the use of any additional land for the purpose of settlements during the transition period." The President then called for "the immediate adoption of a settlement freeze by Israel," as could "create the confidence needed for wider participation in these talks. Further settlement activity is in no way necessary for the security of Israel and only diminishes the confidence of the Arabs that a final outcome can be freely and fairly negotiated."

The acceptance of a settlement freeze by Israel would be, in part, a "show of faith" in the peace process. It would also have indicated that Israel accepts the concepts implied in this, i.e., withdrawing from substantial areas, and relinquishing claims to sovereignty over those areas in return for peace. However, the Israeli government flatly rejected the U.S. peace initiative in its entirety, and reiterated statements made in the past that Israel would never give up its claims to the West Bank and Gaza, nor would they allow any part of the area to come under "foreign rule."

Giving impetus to its categorical rejection of the Reagan initiative, the Israeli Government announced the establishment of 5 new settlements and plans for 20 more in the next 12 months. Israeli authorities also publicized a masterplan which Ariel Sharon had prepared when he was Minister of Agriculture in the first Likud government. This plan projects 160-185 settlements in the West Bank, Gaza and Golan Heights with a Jewish population of 100,000 by 1985.

BACKGROUND

The Israeli settlements policy was planned and implemented by the Labor government, which held power between 1967 when Israel occupied the West Bank, Gaza Strip and Golan Heights, and 1977. Settlement activity began 2 weeks after the 1967 war when the Israeli Kenesset (Parliament) formally annexed East Jerusalem, including the Old City, and started building apartment complexes around it. These complexes were designated for Jewish residence only, as were areas within the Old City, where it was planned that 10,000 Palestinians would be expelled to be replaced by 5,000 Jews. By 1977, there were at least eight settlements around East Jerusalem.

Following the initial settlement activity in and around Jerusalem, new settlements were started in the Jordan valley. These settlements eventually formed a string stretching north and south along the West Bank of the Jordan River and the northwestern shore of the Dead Sea. More settlements were established near the major Palestinian towns of Nablus, Ramallah, Hebron and Halhoul. Other smaller settlements were started by militant Israelis, particularly those affiliated with Gush Emunim (Bloc of the Faithful), who claimed the right to settle "any where in Eretz Yisrael [land of Israel]."

In the 10 years in which the Labor alignment was in power, 50 settlements had been established in the West Bank, Gaza and the Golan Heights.

In recent weeks, Labor Party leader Shimon Peres has explained his party's views on settlement policy in the occupied territories. The Labour alignment views the settlements as having strategic value. Situated in certain specific areas, particularly along the Jordan River, they are considered a defense line against any military action originating from the east. They would also help to ensure the demilitarized status of the West Bank. Thus, the whole area would be a viable buffer against attacks aimed at the coastal plain along the Mediterranean.

The Labor alignment would thus be willing, in principle, to give up large areas of the West Bank to Jordan in a future peace settlement. They would, however, retain those settlements that they feel are necessary for Israel's defense. However, they do not exclude the idea that Jews may settle wherever they like. Peres illustrated this idea in a recent interview in which he outlined the Labour party's position: 'There is no question of signing a document which would, on principle, ban Jews from residing in certain territories. That is inconceivable and has never been done. But some settlements might find themselves under non-Israeli sovereignty. It is not impossible that they might deem it preferable to leave."

Peres' statement is consistent with Zionist thought, though it does not go as far as earlier Israeli leaders would have liked. One of the basic premises of the Zionist philosophy is the "redemption of Eretz Yisrael," which includes the West Bank and Gaza. According to recent Israeli polls, a majority of Israelis support the notion of retaining these areas under permanent Israeli control, and view Israel's occupation of them as a "liberation" of what is theirs by "right."

Other Israeli statesmen have been explicit in expressing Zionist aims. The late Moshe Dayan described the occupation after the 1967 war in expansionist terms. In 1969, when he was Minister of Defense in the Labor Government, Dayan reflected in an interview that, "Our fathers reached the frontiers which were recognized in the Partition Plan [of 1947]. Our generation reached the frontiers of 1949. Now, the six day war [1967 war] generation has the present cease-fire lines, there will be new ones. They will extend beyond Jordan—perhaps to Lebanon and perhaps to control Syria as well."

The Labor party has become more pragmatic since then, as evidenced by their present party leaders. Although there have been no statements from them renouncing all future claims to the West Bank and Gaza, they have expressed the preference for a state that is predominantly Jewish. For them, the "Zionism" of a state is determined by the percentage of the population that is Jewish. If Israel were to annex the occupied territories, the non-Jewish population would amount to 40 percent of the total. "An Israel that incorporates the West Bank with its 1.1 million Palestinian Arabs will be in serious danger of losing its Jewish nature and will vir-

tually become a bi-national state," according to one Israeli political analyst who espouses the Labour party view.

The Likud coalition, in power since 1977, has no such compunctions. Under Prime Minister Menachem Begin's leadership, the Israeli Government has set out to ensure that none of the occupied territories, in whole or in part, should ever again come under Arab sovereignty.

At a meeting of the Herut [Begin's party and member of the Likud coalition] last October, Begin described Herut's "special mission" in Israeli politics in these terms: ". . . if you want to encapsulate in a short sentence what our mission is in the near and foreseeable future—a historical mission, in the full meaning of the concept—it is to ensure that Judea, Samaria and the Gaza Strip are never handed over to foreign rule."

Begin's government presently enjoys wide support among the Israelis. With the exception of a small segment of the population, most Israelis share the idea that the West Bank and Gaza are "liberated" territory, and part of Eretz Yisrael. The most vocal of these have been the settlers themselves, who maintain that they have a religious and historical right to settle anywhere in Eretz Yisrael. Members of Gush Emunim, for instance, have periodically demanded that the government confiscate Arab land for new Jewish settlements.

Recently, members of this movement have started settling within Arab towns. In Hebron, settlers from a nearby settlement moved into a house in the heart of the town where several Arab families had been evicted several years ago. They proceeded to demolish several Arab-owned houses adjacent to a synagogue in order to build 21 apartments for other Jewish settlers.

Meanwhile, inhabitants of a Yeshiva settlement [1] near Nablus have established a permanent base inside the city where they plan to build a yeshiva and the infrastructure for permanent dwellings.

LEGAL STATUS AND INTERNATIONAL LAW

In March of 1982, Begin made clear that Likud's position that the West Bank was an integral part of Israel: "Judea and Samaria [the West Bank] are occupied territory? Judea and Samaria were occupied territory by the Jordanians, who conquered the western part of the land of Israel. And once it was occupied territory by the Egyptians when they invaded Israel. But it is not occupied territory. It is the land of Israel."

Since coming into the office in 1977, Begin has described Israeli settlements in occupied territories as "legal, legitimate and essential." None of these adjectives are considered accurate descriptions of Israeli settlement activity by the international community or international law experts. International bodies have upheld the view since 1967 that Israeli settlements in the occupied territories are illegal and an obstacle to peace, notably in resolutions passed by the U.N. Security Council and General Assembly with the support of the United States.

The U.S. Government has continuously maintained the illegality of Israeli settlements since June 1967. In a State Department letter issued in April 1978, the U.S. upheld this position, sayir g, "While Israel may undertake, in the occupied territories, actions necessary to meet its needs and to provide orderly government during the occupation . . . the establishment of the civilian settlements in those territories is inconsistent with International Law."

The International Law referred to, and on which the U.N. resolutions are based, is the Geneva Civilians Convention of 1949, multilateral treaty to which the participants in the Arab-Israeli conflict, as well as the United States, are signatory. This convention pertains in particular to the administration of territories as a result of war, and the protection of civilians in time of war or under occupation.

The Civilians Convention states that, "The High Contracting parties undertake to respect and to ensure respect for the present Convention in all circumstances." All signatory states, including the United States, are therefore responsible to correct any violation of the Convention committed by any other state.

Article 49(6) of the Convention has particular applicability to Israel's settlement activity in the occupied territories. This article states in part that, "Individual or mass transfers, as well as deportations of protected persons from occupied territory of the Occupying Power or to that of any other country, occupied or not, are prohib-

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[1] The members of a Yeshiva settlement are young Israelis who form religious study groups, and are usually undergoing military duties at the same time. The religious studies schools they establish at religious sites are developed into permanent settlements when the students' families move into the area they occupy.

ited, regardless of their motive . . . The Occupying Power shall not deport or transfer parts of its own civilian population into territory it occupies."

Israel has attempted, since 1967, to avoid the application of the Convention while claiming to uphold its principles. This was done by attempting to use legal arguments that seem to support Israel's narrow interpretation of the Convention. The Israeli Government bases its interpretation on a scheme first outlined by Yehuda Blum, the current Israel Ambassador to the United Nations, in an article published in 1968, and since echoed by the Israel authorities and their apologists, particularly in the United States.

Blum's contention is that the application of the law of belligerent occupation in general, and the Civilians Convention in particular, is based on the presupposition that the "legitimate sovereign" of the occupied territory has been displaced by the occupant. Since Egypt and Jordan, so the argument goes, were not "legitimate sovereigns" because they were in Gaza and the West Bank as a result of alleged aggression, Israel is not required to apply the humanitarian law of the Civilians Convention for the benefit of inhabitants of the occupied territory.

Blum further contends that Israel has "the better title" over the occupied territories because the titles of various Arab sovereigns are deficient in one way or another, i.e., their title applies only to territory over which they had complete formal sovereignty. Israel is, therefore, in the occupied territories as a result of "defensive conquest."

An auxiliary argument is that the Civilians Convention applies only to short-term occupations, Israel claims exclusion from the criteria of the Convention on the ground of "special circumstances," because it has been occupying these territories for a long time.

None of the concepts used by Israel to support a special interpretation of the Civilians Convention are accepted in international law, nor are they seen to be applicable in this case. For example, the words "legitimate sovereign," upon which the Israeli argument relies heavily, do not appear in the Convention, nor is the position supported in the negotiating history. Furthermore, the applicability of the law is not contingent on Israel's recognition of the displaced government's title.

The Israeli claim of "defensive conquest" is also unknown in international law. Under the U.N. Charter, the rights of the defending state extend only to protecting security interests.

In relation to Israeli settlements in occupied territories, Israel claims that Article 49(6) does not apply because that convention's only purpose was to protect the indigenous population from deportation or displacement. It is claimed that deportation or displacement is not the purpose of the Israeli settlements. However, the Israeli contention is quite inconsistent with the negotiating history and the comprehensive language of Article 49(6) which indicates that settlements of the belligerent occupants civilian population are prohibited in the occupied territory, without regard to the claimed purpose of such settlements.

Critics of Israel's contentions point out that Israel's legal arguments have one feature in common: to promote the expansion of the state. In doing this they attempt to avoid the application of the Civilians Convention, and when this fails, they construe the broad wording of Article 49(6) in a restrictive manner so that Israeli settlements are exempted from its terms.

Criticism of Israel's arguments and policies have emanated from Israeli jurists as well. Nathan Feinberg, Professor of International Law Emeritus at the Hebrew University, has published a rejection of the legal arguments of the present Israeli Government as fundamentally inconsistent with Israeli national interests as well as with international law. Professor Feinberg concluded in his article that the Civilians Convention is applicable, and that Article 49(6) does prohibit the Israeli settlements in occupied territories.

ISRAELI SETTLEMENT PLANS

The Likud coalition, led by Prime Minister Begin, began implementing a settlements policy in occupied territory that differed from the previous Labour government's policies in several ways. The Labour party had concentrated on settlements that would serve as a line of defense, and expected them to develop into communal-type cooperative settlements in the style of the Israeli kibbutz. Although as many as 50 such settlements were established between 1967 and 1977, the number of Israelis in these settlements remained very low, and maintaining the settlements proved to be economically unviable.

Begin's government sought to overcome these difficulties and at the same time radically increase the areas to be settled. The new plans for settlements were initi-

ated by then Agriculture Minister Ariel Sharon in 1978, and their implementation has been accelerated in a bid to pre-empt a peace settlement that would return large portions of the occupied territories to Arab sovereignty.

In recent weeks, the American media has carried reports on a study carried out by Meron Benvenisti, the former Israeli deputy mayor of Jerusalem, who describes the new methods the Begin Government uses to control more Arab land, expand settlements and create new ones, increase the Jewish population in the settlements, and overcome the economic obstacles to settlement activity.

The masterplan, drawn up by the Settlement Department of the Jewish Agency and the Settlement Section of the Zionist Federation, covers 5 years starting in 1983. According to this plan, 100,000 people will be added to the West Bank, 20,000 in the Golan Heights, and 10,000 in the Gaza Strip.

In order to achieve this, the Israeli Government started a new method to obtain land for settlement use. Israel already exercises direct ownership over approximately 400,000 of the West Bank's 1.45 million acres. In addition, the Israeli Government has resurrected an old Ottomon land code which allows the authorities to seize land which is uncultivated, such as rocky ground, which is not in possession of anyone by title deed. Using this code, the Israeli Government is controlling over 50 percent of the West Bank excluding East Jerusalem.

This is the area to which Israeli law will be gradually and, if necessary, formally applied by the end of the 5-year settlement period. The Arab areas will, on the other hand, remain under military government, completely surrounded by Israeli settlements. This plan amounts to the unilateral imposition of Israel's version of autonomy.

Benvenisti's study points out that a significant factor in this plan is the type of settlement envisaged. The emphasis is on urban settlement, or dormitories for the large urban centers in Israel. This type of settlement has been likened to suburban development in the United States, and is designed to attract a population which is already economically active in urban areas in Israel. The quality of life and level of services provided in these suburbs will be higher than in Jerusalem or Tel Aviv, and at a substantially lower cost to the settler.

The new suburbs will also be more attractive to Israelis who are not willing to go to isolated and far-flung settlements in the occupied territories. New freeways will enable suburban settlers to get to the heart of urban centres in approximately 10 minutes. The new roads will also serve to further separate the Arab areas from each other.

At the current rate of building, 3,000 apartments are becoming available every year. That amounts to an increase of the Jewish population in the West Bank by 12,000–15,000 annually, or 100,000 by 1986.

The new suburbs are being built by private entreprenuers, and are slated to receive public funds only for infrastructure. Settlers are given very favorable 20-year mortgages on up to 80 percent of the value paid back at 5 percent interest. The settler does not have to pay back the loan as long as he continues to live in the new settlement. The units are priced at about one third the value of a comparable unit in downtown Tel Aviv or Jerusalem, making the idea of living in these communities extremely attractive, particularly to younger married couples.

The implications of this type of settlement and the overall settlement masterplan for the West Bank Palestinians are distressing. The Israeli settlers in the occupied territories retain Israeli citizenship and are governed by Israeli civil laws. The Palestinian inhabitants remain under military government. The dual legislative, executive and administrative system, which separates the Jewish from the Palestinian areas, is augmented by the physical strangulation of the Palestinian areas. While more land in the West Bank comes under Israeli control, less land becomes available for Arab development. The thrust is clearly towards implementation of the autonomy envisaged by Begin at Camp David, i.e. that autonomy applies only to "inhabitants" and not the land.

The political implications to this plan were made clear when Israel accelerated the pace of settlements in response to Reagan's call for a settlement freeze. The Israeli Government realizes that a large shift of Israel's urban population to areas under Israeli control in the occupied territories would make territorial concessions extremely difficult. The message is that Israel has no intention of withdrawing from occupied territories.

FUNDING ALLOCATIONS FOR SETTLEMENTS

The current annual budget for development and building on the West Bank is estimated at $100 million.[1] Half of this sum has been allocated to the Housing Ministry and about $31 million to the Agriculture Ministry. The balance has been allocated to other bodies, such as the public works, telecommunications and education departments. According to Mikhael Deqel, the deputy Agriculture Minister, Israel will spend approximately $1 billion by 1987 on settlements, 60 percent of which will be financed by the government.

Deqel also announced that the Knesset had approved an additional $16.6 million for the settlement budget. However, Simcha Ehrlich, Deputy Prime Minister and chairman of the Ministerial Committee on Settlement Affairs, pointed out that there was no budget in existence for this allocation.

It is likely that funding for settlements rely to some extent on foreign aid, considering that Israel's economy is experiencing difficulties with the high military costs incurred by the invasion of Lebanon on top of other chronic economic problems. This has led analysts to suggest that part of the $800 million non-military aid given to Israel by the United States is being used for funding settlement activity. Recent reports in the U.S. press have also suggested that Israeli opposition leaders would welcome a cut in U.S. non-military aid to Israel in the hope that this would bring down the Likud government, and put a stop to what they see as an erosion in the character of their nation.

The issue of U.S. aid to Israel is a complex one, but the chances are that allocations of this aid to various sectors of the Israeli economy will come under closer scrutiny, both by the Administration and Congress. Israel's invasion of Lebanon and continued occupation of almost half that country, as well as the categorical Israeli rejection of President Reagan's peace initiative, have raised many questions in the United States about how far America has been—and should be—underwriting unpopular Israeli actions at the U.S. taxpayers' expense.

[From the New York Times, August 25, 1982]

DIVERT AID FOR ISRAEL TO REBUILD LEBANON

(By George W. Ball)

PRINCETON, N.J.—Now that the drama of the Palestine Liberation Organization in Lebanon is in its final act, it is time to think of the morning after. Who is to pay Lebanon for the damage wrought by Israel's roving Air Force and rampaging Army? Equipped with the finest planes, tanks and guns that American factories can produce, they have devastated a nation; killed or wounded civilian men, women and children, and maimed many for life. They have rendered thousands—perhaps hundreds of thousands—homeless. The cost of rebuilding, of compensating survivors and providing emergency shelter will require billions of dollars.

Though some Israeli spokesmen assert that the self-reliant Lebanese can carry the burden unassisted, that is merely black humor. Huge amounts of outside aid will be needed and, under international law, Israel, as the aggressor, would normally be expected to pay the bill. Arab states might have been considered liable for damages had they come to the defense of the P.L.O. But they did not. The Lebanese civilians did not ask the Israelis to destroy their houses and kill their children, and it would be immoral if they were left with no compensation.

But will Israel supply the resources required? If past experience is any guide, Israel will disclaim responsibility and pass the burden to the United States. Yet that would be carrying presumption beyond tolerable limits. How unfair if American taxpayers, at a time of recession and large-scale unemployment, were to be made the fall guys as if America were responsible for the carnage.

We did not wage this war, nor did we ask Israel to wage it. Having created a pretext, the Israelis invaded Lebanon without our prior knowledge, choosing a moment when President Reagan was busy at the Versailles summit conference. Not only did they take our Government by surprise but also they misstated their objective—they were, they said, only clearing an area 25 miles north of their border.

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[1] This does not represent the total annual cost of development and building. USAID, using independent calculations, arrived at an estimate of $200 millon overall annual cost.

In the name of humanity and decency, we should provide ample help for the Lebanese people; in the name of logic and justice, we should deduct the cost of that help from our annual subsidy to Israel.

That subsidy is large enough to help materially with Lebanon's reconstruction. For the past several years, it has amounted to almost one-fourth of our total foreign aid—which, for a country with a population less than that of Detroit, and only one-tenth of 1 percent of the world's population, suggests some distortion of values. Our Government's annual assistance to Israel amounts to roughly $2.7 billion—$750 per head for Israel's 3.5 million people. It is as if every American family of five gave Israel $70 a year—and, as the economist Thomas R. Stauffer contends in a forthcoming issue of the journal Middle East International, even that figure may be understated. If more Americans were aware of these calculations, it might add perspective to the current Federal budget argument.

The diversion of our subsidy to help pay the Lebanese people for the quantifiable costs of devastation would not, of course, recompense America for the political losses suffered by serving as Israel's diplomatic agent. By negotiating for the departure of the P.L.O. leaders while silently enduring the Begin government's posturing and hectoring and its continued harassment of the Beirut populace, we have appeared as an accessory to Defense Minister Ariel Sharon's effort to destroy the Palestinian leadership. By failing to use the leverage provided by the occasion to request, as a reasonable *quid pro quo*, Israel's commitment to a genuine autonomy plan for the West Bank and future self-determination for the Palestinians, we have darkened the hope for a fair and decent solution of the Palestinian problem.

Past experience has shown that we can expect little gratitude from the current Government in Jerusalem. Israel will almost certainly press for a new supply of tanks and ammunition and cluster bombs to replae those it has used to destroy Beirut and for an increased subsidy to help meet the estimated $2 billion or more that the war has already cost its own hard-pressed economy. Indeed, before Israeli troops are fully withdrawn (there is increasing evidence they may plan to keep control of southern Lebanon up to and including the watershed of the Litani River—the last major water resource divertible into Israel) the sum could be more than twice that. Nor will the dispersal of the P.L.O. make Mr. Begin and his colleagues any more flexible in addressing the Palestinian problem. On the contrary, they will be even more obdurate and confirmed in their expansionist ambition. That was what happened when we ended the danger of a two-front war by neutralizing Egypt through the Camp David accords. To talk as if eliminating the P.L.O. leadership will improve the changes for a Palestinian settlement is fantasy.

Senator PELL. Mr. Chairman, I regret very much I cannot stay for the whole hearing. I find it fascinating and interesting. I am particularly sorry. I have had a chance to peruse and benefit from Mr. Dine's testimony, and I thought it was very clear and very specific. I was very interested in Mr. Sadd's. I wish I could be around, but have an office full of people.

Thank you.

Senator BOSCHWITZ. I was hoping you would stay, Senator.

The next witness will be Robert A. Basil, chairman of the American Lebanese League.

Mr. Basil, maybe before you begin your testimony, I would ask you to comment on Mr. Sadd's statements about 20,000 killed in Beirut and 30,000 injured. What percentage of the damage in Lebanon was done by the Israelis and what percentage of it was done prior to the invasion of Lebanon?

Mr. BASIL. A great deal of damage certainly was done during the Israeli invasion of Lebanon. However, that occurred during a brief period of several months. When you look at the damage done to Lebanon during the 7-year occupation, especially by the extended military operations of the Syrians and the PLO, the estimates generally by the Lebanese Government are that 80 to 85 percent of the destruction of Lebanon, and therefore the reconstruction requirement, was done during the 7 years of Syrian PLO occupation of

Lebanon, and about 15 percent during the Israeli military operation of last year.

Senator BOSCHWITZ. Go ahead with your testimony.

STATEMENT OF ROBERT A. BASIL, CHAIRMAN OF THE POLICY COMMITTEE, THE AMERICAN LEBANESE LEAGUE, WASHINGTON, D.C.

Mr. BASIL. Thank you, Mr. Chairman.

Today I would like to discuss briefly the importance of Lebanon to the United States and the major U.S. policy and foreign aid actions that should be considered to achieve U.S. strategic and regional objectives, and to support justice and freedom for the Lebanese nation and people.

Policy action and foreign aid must go together. Otherwise, foreign aid will not be effective.

First of all, permit me to state the profound thanks of the American Lebanese League to the Reagan administration and the Congress for recently adopting the policy we in ALL had been proclaiming almost alone in this capital for the last 5 years, namely: One, solve the Lebanese problem immediately rather than have Lebanon held hostage to the eventual solution of the Palestinian problem; two, withdraw all foreign forces from Lebanon immediately; three, establish a strong sovereign Lebanese Government duly constituted with authority over all the territory and people of Lebanon; and four, approve foreign aid programs for buildup of the army, major reconstruction of the country, and rehabilitation of the thousands of physically and psychologically damaged men, women and children.

Lebanon today is important far beyond its size and natural resources because it represents a unique and intense concentration of problems and opportunities facing the United States regionally and strategically.

The four major problem areas the United States hoped to solve by the removal of all foreign forces from Lebanon still largely remain due to the delay in negotiations over the past several months.

The first Soviet penetration of the Mideast region: The major Soviet regional client, Syria, remains in Lebanon. The alarming buildup of Soviet advisers and advanced weapons in Syria over the past few months presents a new danger of Soviet-Syrian intransigence to withdraw and of the Soviets directly involved in decisions and actions in the region.

Just this past week Secretary of Defense Weinberger declared that this buildup, especially the deployment and Soviet manning of SA-5's, demonstrates that Syria is just another outpost of the Soviet Empire.

Second, international terrorism: This plague has been significantly reduced because the training camps and infrastructure are now gone from Lebanon. However, the threat is still posed by continuing armed elements of the PLO under Syrian Army protection.

Three, strengthening of the peace process: The United States hoped to reduce the Syrian-Libyan PLO influence and increase moderate Arab influence. Moderate Arab governments still have

considerable difficulty, however, asserting control of Arab world policies as long as Syria and the PLO remain in Lebanon and reinforce the Rejectionist Front.

Four, regional stability affecting access to oil: Most importantly, the Lebanese flash point is more dangerous today than ever before with hostile armed forces facing each other in grim proximity. Unless fully withdrawn, these forces could again collide, likely with ominous strategic implications between the United States and Soviet Union.

Lebanon is now going through the most critical phase of its life. After 7 years of brutal and degrading occupation, Lebanon now has the opportunity to be reborn. But the opportunity is fleeting. The next weeks will determine whether Lebanon will divest itself of all foreign occupation forces—Syria, PLO, Israel—or whether the occupiers will settle in for the long term by dismembering and feasting on a wounded nation with the tacit approval of all regional powers.

It is clear that all nations of the region have motives in Lebanon that may not be in Lebanon's or the United State's interests, and that a direct United States-Lebanon relationship should be established to realize U.S. goals within Lebanon, and to the extent the Lebanese situation impacts U.S. goals in the region.

As President Gemayel stated to President Reagan during his visit several months ago, "America's commitment to the sovereignty and territorial integrity of a free Democratic Lebanon has been fundamental to our survival. The historic United States-Lebanon relationship is the cornerstone of building this new Lebanon."

The U.S. role is vital in four areas: One, withdrawal negotiations; two, multinational forces; three, Lebanese army buildup; and four, reconstruction.

Withdrawal negotiations: Some Arab and Israeli actions link negotiations on troop withdrawal to other issues to the detriment of real progress. These Arabs are linking both political and economic issues to the negotiations, pledging opposition to both the Reagan peace plan and reconstruction aid to Lebanon if troop withdrawal negotiations are not to their liking, reflecting their characteristic lack of concern during the 7 years of the brutal occupation of Lebanon.

The Israelis are linking full normalization to the negotiations, reflecting an insensitivity to the dangers that it unfairly imposes upon President Gemayel, and forcing him to go too fast in this direction while Lebanon is pulling itself together.

It is in the interest of the United States and Lebanon to unlink withdrawal negotiations from both the Reagan plan and full normalization.

Two, the multinational force: If early withdrawal of Syrian, PLO and Israeli forces is accomplished, increased U.S. participation in an expanded multinational force will be required temporarily while the Lebanese Armed Forces is building up.

We are gratified to note Secretary Weinberger's support of this requirement.

Three, the Lebanese army buildup: The most essential element in sustaining Lebanese sovereignty and control over its territory is strong, competent armed forces. Its mission is twofold: Internal security and external deterrence. Total concentration is now on the

first mission, and as you heard General Gast state, it is going well to the four brigade level, and eventually they hope to achieve seven brigades.

However, certain essential capability needs to be added to what General Gast described to insure full internal security throughout the difficult terrain in the country, notably helicopter air mobility, better armored vehicles, and better CQ systems and advanced day-night surveillance systems.

In addition, it is unrealistic to expect Lebanon to sustain its stability in this volatile region without building up deterrence capability against external threats. Lebanon must, like Sweden, Switzerland and others, have sufficient capability to inflict unacceptable losses on much stronger neighboring states in order to deter many levels of conflict that would otherwise be attractive to a potential aggressor. This includes improved armor, air defense, and items like that.

Therefore, we recommend $150 million a year for 4 years of FMS credits to be authorized for these objectives. And as Senator Sarbanes suggested earlier, these costs will be considerably offset by the earlier elimination of the present U.S. multinational force commitment.

Reconstruction: In the long run, peace is sustained through stability whose essential element is a sound economy. Lebanon has traditionally had a strong economy, and with proper help can regain it again.

The present one-shot 1983 supplemental request is grossly inadequate and out of touch with reality. The cost for reconstruction of the public infrastructure and the private industries and housing is approximately $15 billion. There is a fundamental disconnect between this sum and the planned U.S. aid package between the importance the United States attaches to a stable Lebanon and the degree of financial support planned.

The United States appears to be trying to obtain $15 billion worth of influence and commitment with the $200 to $300 million worth of investment. We feel it is unrealistic to expect the Arab world to shoulder most of this reconstruction aid.

Despite past promises, the wealthy Arab nations have not delivered any financial aid to Lebanon. In 1979 and 1980 Lebanon was promised $2 billion and not a penny yet. Several years ago the wealthy Arab nations promised $10 billion aid to the poor Arab countries throughout the region, and not a penny of that has been forthcoming either.

Presently, the Iran-Iraq war, which costs Saudi Arabia and the Gulf States about $1 billion a month, constitutes a far graver risk to their security than Lebanon. In addition, dramatically lower OPEC oil prices resulting in unprecedented budget deficits for these countries all add up to very little hope that the Saudi Arabia and the Gulf States will shoulder the bulk of the multibillion-dollar Lebanon reconstruction program.

But most importantly, a strong argument can be made that it is not in the U.S. interest to expect the wealthy Arab States to be the major source of Lebanon reconstruction funds when they are linked with political demands.

Arab requirements presently are that Lebanon regress from their present position to one that is more hostile to Israel, while the U.S. desires broad movement toward peace under the Reagan plan.

U.S. policy should have reconstruction aid dependent upon Lebanon adopting U.S. goals, not upon Lebanon adopting Arab goals which do not support U.S. policy. However, having said that, Arab funding could be the major source for reconstruction if unattached to political conditions. The basis could be presumably as compensation to Lebanon since Arab funding formed the basis for Syrian and PLO military personnel and materiel used to devastate much of Lebanon for 7 years. Israel also should shoulder its share of the burden for the major destruction caused by its operations.

Therefore, we urge a 5-year U.S. aid program to include budget support, financing of reconstruction and development projects and military support. The program would be in the form of concessional aids and grants, as was the case with Jordan and still is the case for Egypt and Israel. The United States should encourage potential European and Arab investors to provide large-scale concessional aid. The aid package should be at the level of $1 billion for fiscal year 1983–84 and gradually decrease thereafter as public revenue and economic activities increase.

After 5 years, Lebanon will never again need financial help, not a dime, and should be a strong economic ally of the United States.

Mr. Chairman, a strong, sovereign, pro-West Lebanon is the keystone of administration plans in the region presently. Failure to achieve and sustain this Lebanon would be a major setback to U.S. interests, regional stability and peace, and would cause costly and agonizing reappraisal of the resultant chaotic situation.

Lebanon and its people have the strength and commitment to insure U.S. goals in the region are met provided the United States supports Lebanon to get on its feet again.

Mr. Chairman, thank you very much.

[Mr. Basil's prepared statement follows:]

PREPARED STATEMENT OF ROBERT A. BASIL

Mr. Chairman: My name is Robert Basil, Policy Chairman of the American Lebanese League, a nationwide non-profit organization founded by American citizens in 1976 to promote United States-Lebanon relationships and to foster the sovereignty, security, democracy and independence of Lebanon within the bounds of the U.S. national interest.

We are not a lobbying organization but an educational, humanitarian and social organization with the broad national membership base representing the philosophy and ideals of the great majority of the two million Americans of Lebanese descent.

Today I would like to discuss briefly the importance of Lebanon to the United States, and the major U.S. policy and foreign aid actions that should be considered to achieve U.S. strategic and regional objectives, and to support justice and freedom for the Lebanese nation and people. Policy action and foreign aid must go together; otherwise foreign aid will not be effective.

First of all, permit me to state the profound thanks of the American Lebanese League (ALL) to the Reagan Administration and the Congress for recently adopting the policy we in ALL have been proclaiming—almost alone in this capital—for the last 5 years, namely:

1. Solve the Lebanese problems immediately, rather than have Lebanon held hostage to the eventual solution of the Palestian problem.
2. Withdraw all foreign forces from Lebanon immediately.
3. Establish a strong, sovereign Lebanese Government, duly constituted, with authority over all the territory and people of Lebanon.

4. Approve foreign aid programs for build-up of the Army, major reconstruction of the country, and rehabilitation of the thousands of physically and psychologically damaged men, women and children.

Lebanon today is important far beyond its size and natural resources, because it represents a unique and intense concentration of problems and opportunities facing the U.S. regionally and strategically.

The four major problem areas the United States hoped to solve by the removal of all foreign forces from Lebanon still largely remain due to the delay in negotiations over the past several months:

1. SOVIET PENETRATION OF THE MID-EAST REGION

The major Soviet regional client, Syria, remains in Lebanon. The alarming build-up of Soviet advisors and advanced weapons in Syria over the past few months presents a new danger of Soviet-Syrian intrasigence to withdraw, and of the Soviets directly involved in decisions and actions in the region. In a statement this week, Secretary of Defense Weinberger declared that this build-up, especially the deployment and Soviet personnel manning of SA-5 missiles, demonstrates that Syria is "just another outpost of the Soviet empire."

2. INTERNATIONAL TERRORISM

This plague has been significantly reduced because the training camps and infrastructure are now gone from Lebanon. However, the threat is still posed by continuing armed elements of the PLO Under Syrian Army protection.

3. STRENGTHENING OF THE PEACE PROGRESS

The United States hoped to reduce the Syrian-Libyan-PLO influence and increase moderate Arab influence. Moderate Arab governments still have considerable difficulty asserting control of Arab World policies as long as Syria and the PLO remain in Lebanon and reinforce the Rejectionist Front.

4. REGIONAL STABILITY AFFECTING ACCESS TO OIL

The Lebanese flash point is more dangerous today than ever before, with hostile armed forces facing each other in grim proximity. Unless fully withdrawn, these forces could again collide, likely with ominous strategic implications, between the United States and the Soviet Union.

Lebanon is now going through the most critical phase of its life. After 7 years of brutal and degrading occupation, Lebanon now has the opportunity to be re-born. But the opportunity is fleeting. The next weeks will determine whether Lebanon will divest itself of all foreign occupation forces—Syria, PLO, Israel—or whether the occupiers will settle in for the long-term by dismembering and feasting on a wounded nation, with the tacit approval of all regional powers.

It is clear that all nations of the region have motives in Lebanon that may not be in Lebanon's or the United States' interests, and that a direct United States-Lebanon relationship should be established, to realize U.S. goals within Lebanon, and to the extent the Lebanese situation impacts U.S. goals in the region.

As President Gemayel stated to President Reagan during his visit several months ago (Attachment A): "America's committment to the sovereignty and territorial integrity of a free, democratic Lebanon has been fundamental to our survival—the historic United States-Lebanon relationship is the cornerstone of building this new Lebanon."

The U.S. role is vital in four areas: (1) Withdrawal negotiations; (2) multi-national forces; (3) Lebanese Army build-up; (4) Reconstruction.

Withdrawal negotiations

Some Arab and Israeli actions link negotiations on troop withdrawal to other issues to the detriment of real progress. These Arabs are linking both political and economic issues to the negotiations, pledging opposition to both the Reagan Peace Plan and reconstruction aid to Lebanon if troop withdrawal negotiations are not to their liking, reflecting the characteristic lack of concern during the past 7 years over the brutal occupation of Lebanon. The Israelis are linking full normalization to the negotiations, reflecting an insensitivity to the dangers it unfairly imposes upon President Gemayel in forcing him to go too fast in this direction while Lebanon is pulling itself together.

It is in the interests of the United States and Lebanon to unlink withdrawal negotiations from both the Reagan Plan and full normalization. As Dr. Wadie Haddad,

President Gemayel's National Affairs Advisor stated in Washington 3 weeks ago (Attachment B):

"The Lebanese cause is just and true in itself and does not need any other cause, no matter how just or true, to justify it. Regaining Lebanon's freedom is important in itself, just as the solution of the Palestinian problem is important in itself also. Linking the two sequentially may not help either cause. In fact, arbitrary linkage either forces solution of the complex Palestinian issue into the urgent, collapsing the time frame of Lebanon's deterioration under occupation, or forces Lebanon's continued occupation and defacto partition by chaining Lebanon's freedom to the eventual solution of the Palestinian problem. While the two issues are inter-related, the treatment of each of them should have a life of its own in terms of time, conditions and trade-offs."

Multinational force

If early withdrawal of Syrian, PLO and Israeli forces is accomplished, increased U.S. participation in an expanded Multi-National Force will be required temporarily while the Lebanese Armed Forces is building up. We are gratified to note Secretary Weinberger's support of this requirement.

Lebanese Army buildup

The most essential element in sustaining Lebanese sovereignty and control over its territory is strong, competent Armed Forces. Its mission is two-fold: internal security, and external deterrence. Total concentration is now on the first mission by rapid build-up to full personnel, equipment and training levels for four brigades, with two additional brigades to be added on. The special supplemental request for 1983 of $100 million in FMS guaranteed loans and $1.0 million in military training aid contributes significantly to this objective. However, certain essential capability needs to be added to that already planned to insure full internal security throughout the difficult terrain in the country, notably helicopter air mobility, better armored vehicles and tanks, modern command, control and communications systems, and advanced day/night surveillance systems.

In addition, it is unrealistic to expect Lebanon to sustain its stability in this volatile region without building up deterrence capability against external threats. Lebanon must, like Sweden, Switzerland and others, have sufficient capability to inflict unacceptable losses on much stronger neighboring states in order to deter many levels of conflict that would otherwise be attractive to a potential aggressor. This capability includes improved armor, surface-based air defense, gun and missile systems, ground and helicopter launched anti-tank weapons. Therefore, it is recommended that $150 million per year for 4 years (FMS credits) be authorized for these objectives. These costs will be considerably offset by the earlier elimination of present U.S. Multi-National Force participation, or possible future re-deployment.

Reconstruction

In the long run, peace is sustained through stability, whose essential element is a sound economy. Lebanon has traditionally had a strong economy, and with proper help can regain it again.

The present one-shot 1983 supplemental request is grossly inadequate and out of touch with reality. The cost for reconstruction of the public infrastructure and the private industries and housing is approximately $15 billion. There is a fundamental disconnect between this sum and the planned U.S. Aid Package, between the importance the U.S. attaches to a stable Lebanon and the degree of financial support planned. The United States appears to be trying to obtain $15 billion worth of influence and commitment with $200–$300 million worth of investment.

It is unrealistic to expect the Arab World to shoulder most of this reconstruction aid burden. Despite repeated past promises, the wealthy Arab nations have not yet delivered any financial aid to Lebanon. In 1979–80, Lebanon was promised $2 billion—nothing yet. Several years ago, the wealthy Arab nations promised $10 billion aid to poor Arab nations—nothing yet either. Presently the Iran-Iraq war, which costs Saudi Arabia and the Gulf States $1 billion a month, constitutes a far graver risk to their security than Lebanon. In addition, dramatically lower OPEC oil prices, resulting in unprecedented budget deficits for these countries, all add up to very little hope that Saudi Arabia and the Gulf States will shoulder the bulk of the multi-billion dollar Lebanon reconstruction program.

Most importantly, a strong argument can be made that it is not in the U.S. interest to expect the wealthy Arab states to be the major source of Lebanon reconstruction funds which are linked with political demands. Arab requirements are that Lebanon regress from their present position to one that is more hostile to Israel,

while the U.S. desires broad movement toward peace under the Reagan Plan. U.S. policy should have reconstruction aid dependent upon Lebanon adopting U.S. goals, not upon Lebanon adopting Arab goals which do not support U.S. policy.

However, Arab funding could be the major source for reconstruction if unattached to politcal conditions. The basis could be, presumably, as compensation to Lebanon since Arab funding formed the basis for Syrian and PLO military personnel and material used to devastate much of Lebanon for 7 years. Israel also should shoulder its share of the burden for the major destruction caused by its operations.

Therefore, we urge a 5-year U.S. Aid Program, to include budget support, financing of reconstruction/development projects, and military support. The program should be in the form of concessional aids and grants, as was the case with Jordan and is still the case for Egypt and Israel. The United States should encourage potential European and Arab investors to provide large-scale concessional aid. The aid package should be at the level of $1 billion for fiscal year 1983-84, and gradually decrease thereafter as public revenue and economic activities increase. After 5 years, Lebanon will never again need financial help, and should be a strong economic ally of the United States.

Mr. Chairman, a strong, sovereign, pro-West Lebanon is the keystone of Administration plans in the region. Failure to achieve and sustan this Lebanon would be a major setback to U.S. interests, and would cause costly and agonizing reappraisal. Lebanon and its people have the strength and commitment to insure U.S. goals in the region are met, provided the U.S. supports Lebanon to get on its feet again. As President Gemayel so eloquently stated to President Reagan:

"We see the U.S. role as the indispensible ingredient to bring peace not only to Lebanon, but also to the whole region as well. We firmly believe that President Reagan's initiative has created unprecedented opportunities for peace. We, in Lebanon, intend to be active in the search for peace with all nations of the region—Lebanon has been the most recent, and for us the most painful, example of the assault upon free men by the forces of darkness and occupation. We have fought to retain our freedom, and the strength of our resistance has earned for us not only a restated pride in ourselves but also a re-entry into the ranks of the Free World—The historic United States-Lebanon relationship is the cornerstone of building this new Lebanon. America's friendship and assistance, not only in peacekeeping and peacemaking but also in reconstruction and rebuilding our armed forces, are vital. We, on our part, intend to carry our share of the responsibility of this partnership by a full and reciprocal contribution to all U.S. goals in its many noble endeavors as the leader of the Free World.)

Thank you, Mr. Chairman.

ATTACHMENT A

STATEMENT BY PRESIDENT GEMAYEL FOLLOWING THE WHITE HOUSE MEETING WITH PRESIDENT REAGAN, OCTOBER 19, 1982

Mr. President: I am honored to be the first President of Lebanon to make an official visit to the United States.

The Lebanese people deeply appreciate and will never forget your courageous and decisive efforts to help bring an end to the suffering of my country. America's commitment to the sovereignty and territorial integrity of a free, democratic Lebanon has been fundamental to our survival.

We see the U.S. role as the indispensible ingredient to bring peace not only to Lebanon, but also to the whole region as well. We firmly believe that President Reagan's initiative has created unprecedented opportunities for peace. We, in Lebanon, intend to be active in the search for peace with all nations of the region.

The relationship between the United States and Lebanon is not only between our two governments. It is between our two peoples, who share the same heritage and adhere to the same values and principles of democracy and liberty. The 2½ million Lebanese have an almost equal number of close relatives in the United States. We value enormously the unique tie provided by these American-Lebanese, among the most loyal of all Americans, and we believe they have a leading role in keeping our two countries together.

Lebanon has been the most recent—and for us the most painful—example of the assault upon free man by the forces of darkness and occupation. We have fought to retain our freedom, and the strength of our resistance has earned for us not only a restated pride in ourselves but also a re-entry into the ranks of the Free World.

With equal resolve, I together with my people, am committed to the immediate removal of all foreign forces from our soil, and to work hand in hand with all sec-

tors of Lebanese society to build a nation in which all citizens have equal privileges, rights and responsibilities.

The historic U.S.-Lebanon relationship is the cornerstone of building this new Lebanon. America's friendship and assistance, not only in peacekeeping and peacemaking, but also in reconstruction and rebuilding our armed forces, are vital. We, on our part, intend to carry our share of the responsibility of this partnership by a full and reciprocal contribution to all U.S. goals in its many noble endeavors as the leader of the Free World.

ATTACHMENT B

STATEMENT BY DR. WADI HADDAD, NATIONAL AFFAIRS ADVISOR TO THE PRESIDENT OF LEBANON

A few short months ago, Lebanon appeared to be at the dawn of a new era of peace and tranquillity after 7 years of occupation, death and destruction at the hands of warring foreign armies. With the determination of President Reagan and the efforts of the U.S. administration, foreign forces withdrew from Beirut, and negotiations for total withdrawals from the rest of Lebanon were commenced. Recently, however, Lebanon's initiative for freedom has become bogged down.

The crisis in Lebanon has now reached a critical stage, requiring urgent action in the next days. While other U.S. initiatives around the world, and even in the region, can take months or perhaps a year or two, the Lebanon problem must be solved immediately in order to prevent a catastrophic impact to the interests of Lebanon and the United States.

As far as Lebanon is concerned, the various foreign armies are inducing instability and violence in the areas under their occupation. If this situation continues for even a short time longer, Lebanon is in serious danger of long-term occupation and defacto partition by the various foreign occupying armies.

Moreover, the impact of foreign occupation is to "disfigure the face of our truth," as Albert Camus wrote of German occupation of France. The physical, psychological and spiritual face of Lebanon is being disfigured by the occupiers, and soon that process will be irreversible.

For the United States, the juxtaposition of adversary forces occupying Lebanese soil constitutes an extremely unstable and potentially explosive situation which could ignite the entire region, the next time perhaps with strategic confrontation. Moreover, as the time goes by, the credibility of the United States and its ability to deliver are questioned, and other powers, notably the Soviet Union, heretofore denied a significant role in the region, will start asserting their authority.

The Lebanese cause is just and true in itself and does not need any other cause, no matter how just or true, to justify it. Regaining Lebanon's freedom is important in itself, just as the solution of the Palestinian problem is important in itself also. Linking the two sequentially may not help either cause. In fact, arbitrary linkage either forces solution of the complex Palestinian issue into the urgent, collapsing time frame of Lebanon's deterioration under occupation, or forces Lebanon's continued occupation and defacto partition by chaining Lebanon's freedom to the eventual solution of the Palestinian problem. While the two issues are inter-related, the treatment of each of them should have a life of its own in terms of time, conditions and trade-offs.

The Lebanese Government and people are fully committed to peace, and are prepared to carry their share of the burden toward its achievement. In this process, the Lebanese people are resolved to regain their freedom and sovereignty and re-establish their unified nation. They will accept nothing less. From Tripoli and Baalbeck in the north, to the Chouf in the center, to Sidon in the south, the people of Lebanon are demanding that the Lebanese Government and Army regain control of the areas presently occupied by foreign forces who are dedicated to preserving their alien presence by inducing instability in the regions under their control.

To those who question Lebanese unity as a fiction, we challenge them to permit full self-expression, even for a brief period, of Lebanon's democracy and sovereignty, and watch the miracle of free men unfold. To those who question Lebanese resolve, we will continue to resist, and cannot permit, a regional solution which involves the dismemberment or occupation of Lebanon.

The United States-Lebanon relationship is fundamental to our survival. We shall continue to work hand in hand with the United States to achieve our objectives.

Senator BOSCHWITZ. Thank you, Mr. Basil.

How do you believe that—what circumstances or what can we do that would get the Arabs to give Lebanon a little bit more than they seem to at the present time?

Mr. BASIL. Well, Mr. Chairman, as I stated, I think the Arab countries should pledge reconstruction aid to Lebanon with no linkage to political demands. After all, the Arab countries do bear a great responsibility for what happened in Lebanon, because it was the Arab peacekeeping force which has now ended up, as you know, as an occupation force for the last several years, shelling cities and killing many people. And also funding the PLO operations in Lebanon that was the cause of the bulk of the destruction and loss of life in Lebanon. So they bear a responsibility toward that end.

Lebanon is part of the Arab world, and as a sister nation we feel that they could gain much more for Arab world interest in the long run by recognizing the error of their policy in the 1970's and early 1980's and under U.S. leadership, because the United States is interested in forward movement of peace, have the United States encourage the Arab world to recognize that their long-term interests are best served by permitting Lebanon to resurrect itself as a robust, vital nation in the region, pro-West, and it would be in the best interest of the United States and the moderate Arab world.

Senator BOSCHWITZ. Mr. Sadd, do you think that the PLO is going to give any kind of a green light toward meaningful negotiations?

Mr. SADD. You are referring to King Hussein?

Senator BOSCHWITZ. No; the PLO.

Mr. SADD. The PLO giving a green light to King Hussein?

Senator BOSCHWITZ. Yes, that's right.

Mr. SADD. As you know, the conference has just ended. An English language text, I believe has not yet been published. I understand that among the positions adopted are: One, a declaration that the Reagan initiative, while not rejected, is not a suitable basis for a durable peace; two, the Fahd plan is the minimal acceptable basis; three, the Brezhnev plan is an acceptable basis; and four, they have resolved against terrorism in all its forms, including state terrorism.

The question of whether they will give a green light to King Hussein, I think, is a question that depends on the kind of progress that is made in Lebanon. It is a question that depends on the credibility of the United States, in fact, in showing the prospect of a West Bank that can be a homeland for Palestinians.

Senator BOSCHWITZ. What was the Brezhnev plan? I forget that plan.

Mr. SADD. It basically recognizes the PLO as the representative of the Palestinian people. It is a two-state solution with a state for the Palestinians on the West Bank and Israel within safe and secure borders.

Senator BOSCHWITZ. Mr. Dine, United States-Israeli relationships seem to proceed on a rocky basis sometimes, too. What do you feel we can do here in the Senate? What can be done on either side of the ocean to improve those relationships and make them somewhat smoother?

Mr. DINE. The thrust of my testimony was that Israel is important to the United States, and the United States is critically important to Israel. And with that in mind, I think it behooves all of us to try to remember that the two countries, friends and allies, have to work together rather than try to aggravate each other.

There has been a tendency to blame Israel for every problem in the area. I think that only exacerbates the tensions that exist, rather than relaxes the tensions.

It is my hope that the Congress and the administration will continue to see Israel for what it is. The foreign aid program is an indicator of that. I believe that one must work with Israel, not against Israel.

Senator BOSCHWITZ. I quite agree. And on that note we will bring this rather lengthy hearing to a close.

[Additional questions and answers follow:]

AID's RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR BOSCHWITZ

Question 1. In past years, AID has estimated that about 75 cents of every aid dollar was spent in the United States for equipment and services. Is that estimate still accurate and does it apply to the Near East and South Asia regions?

Answer. The latest estimate indicates that close to 70 percent of our total economic assistance, including Public Law 480, is used for the purchase of U.S. goods and services. Regional attribution or applicability of this overall estimate is impossible to make given the inclusion of a range of AID expenditure catagories which do not have a specific country or regional breakdown, such as centrally funded research and technical assistance activities or contributions to international institutions. A regional listing of direct commodity expenditures of AID as well as Public Law 480 is available. Of a total direct U.S. source commodity expenditure figure in 1982 of $572 million, $75 million was in Asia and $404 million was in the Near East. In fiscal year 1982 $346 and $387 million in Public Law 480 went to Asia and the Near East respectively out of a total program of $1,418 million.

Question 2. Will the proposed economic aid for Lebanon be solely to repair last summer's damage or will it also be used to repair damage from the civil war?

Answer. Our request is for rehabilitation and reconstruction of essential public facilities and services in key sectors damaged in the fighting of last summer and the preceding 7 years of civil war—including potable water, sewerage, waste management, health services, telecommunications, electric power, and transportation.

Question 3. What is the main purpose of the proposed $150 million economic aid program to Lebanon? Is it intended primarily to help speed the reconstruction of Lebanon? Or is it to strengthen the central government?

If the former, how do we deal with the existing situation in which the Lebanese Government's authority barely extends beyond Beirut?

If the latter, how do we strengthen the Lebanese Government by channeling aid through non-government programs such as the $7.7 million for private voluntary organizations through Save the Children and the YMCA for loan programs and training projects?

Answer. Our economic aid program is designed to encompass both the objectives you mention. Our view, which is shared by the donor community, is that while not all of Lebanon's reconstruction needs can be met by the government, the reconstruction process can not be initiated or sustained for the first few years without the leadership of the government. After 10 years of war, damage is widespread in Lebanon, particularly in terms of public infrastructure such as health facilities, water and sewerage, electric power, and telecommunications systems, roads and ports. A major purpose of our proposed program is to speed the reconstruction of Lebanon by strengthening the central government's ability to restore public infrastructure and stimulate economic activity. This is part of the larger U.S. Government objective of helping to enhance and expand central government authority throughout the whole country.

For the time being, however, the Government of Lebanon's proposed reconstruction program, which we propose to support through our request for supplemental funds, refers only to the greater Beirut area and the area generally referred to as Southern Lebanon. This limited reference for the reconstruction program is due to

the limited extent of the government's current sphere of authority and the security situation in areas of Lebanon such as the north and the Bekaa valley.

Not all of Lebanon's reconstruction needs involve restoration of public infrastructure. There is a range of needs including vocational training, small scale credit programs, and rehabilitation of private education and medical institutions which can be appropriately handled through private voluntary agency programs. The Lebanese Government appreciates the work of these private agencies and fully supports their inclusion in our program.

Question 4. The proposed aid program for Lebanon also includes $70 million for a Capital Equipment Fund to help the Lebanese Government import American-made equipment.

Will the United States help determine specific items for importation?

Are the allocations for such infrastructure improvement as telecommunications and water lines based on specific studies already completed or are they rough estimates?

Answer. The AID mission in Lebanon is in the final stages of discussions with the Government of Lebanon's Council for Reconstruction and Development to determine the sectors which will be eligible to participate in the Capital Equipment Fund. As part of these discussions, a representative list of U.S. manufactured capital equipment and commodity related services eligible under the fund will be mutually agreed upon. All equipment and commodity related services will be restricted to U.S. source and origin. In addition, the project agreement will include provisions for continuing discussions regarding possible inclusion of previously unspecified equipment and/or services as well as additional sectors qualifying for assistance based upon mutual agreement.

The allocation for the telecommunications assistance is based on information which was developed by the Lebanese Postal, Telegraph and Telecommunications Ministry. The information includes a list of equipment and technical services needed to restore and rehabilitate the system to fully-operational status. Federal Electric International (FEI), a U.S. contractor, has been selected to carry out this project. Upon completion of contract negotiations, FEI will initiate a detailed survey of the targeted telephone exchange areas in order to determine the specific materials and services necessary for the restoration of services.

During the past 8 years of civil disruptions and disorders, Beirut's capacity to distribute water, collect and dispose of sewage, and dispose of solid waste materials has been destroyed. In order to restore an adequate capacity, the Ministry of Hydraulic and Electric Resources enlisted the services of an AID contractor to draw up a master plan for restoration: "The Water and Waste Needs to Metropolitan Beirut and Surrounding Areas." This plan is the basis for the development of a plan of operations for the AID-funded Water/Sanitation effort.

Question 5. I understand you have helped establish a Commission of American businessmen to help promote American business involvement in the reconstruction of Lebanon. Could AID please describe how the Commission would operate? Would there be any connection between it and the Capital Equipment Fund?

Answer. The U.S. Businessman's Commission on Reconstruction of Lebanon is working to determine the potential for U.S. private sector trade and investment participation in that country. Chaired by Lewis Preston, Chairman of Morgan Guaranty, it is a private group of chief executive officers of U.S. corporations. We have briefed them and provided some small secretariat expenses—but other than that, they are operating on their own. Several (one of them Richard Parker, former U.S. Ambassador to Lebanon) have already visited Lebanon to make some initial soundings on the investment and trade climate and to lay the groundwork for a mid-May visit to Lebanon by the Commission. The Commission has no connection with the planning or operations of our proposed Capital Equipment Fund. But its members are free, just like any other U.S. business people to compete for U.S. equipment purchases being financed by the Fund to support Lebanon's reconstruction.

Question 6. Lebanese officials have estimated that it will cost about $12-$15 billion to repair the damage caused last summer, and by the deterioration from the lack of maintenance during the last 8 years. Is this estimate about right? What is the likely U.S. portion of the reconstruction effort?

Answer. Most estimates of damage in Lebanon are in the $12-$15 billion range covering reconstruction and system expansion over the next 9 to 10 years. Around $2 billion of this damage resulted from last June's Israeli invasion. The World Bank has sent a team to Lebanon. Their report, which will be available in the very near future, is expected to corroborate this estimate of damage.

The Lebanese expect that their own resources and those of Arab donors will cover about three-quarters of their rebuilding costs. They hope that Western donors—the

OECD countries, including the United States as well as the World Bank—can supply the balance over a period of years.

There is no precise share of reconstruction costs for the United States or other individual donors; however, this may become clearer after the World Bank report has been reviewed. We expect that our current $150 million being requested will constitute the bulk of what the United States will contribute to this reconstruction program. We believe that most of the longer-range reconstruction will be financed by Lebanon's own resources including the private sector.

Question 7. The Lebanese say they hope to obtain large amounts of reconstruction aid from Arab countries. But officials in Beirut also say they received less than $400 million of the $2 billion of assistance promised by the Arab League at Tunis several years ago.

Are the expectations for $600 to $650 million per year in Arab aid realistic?

Answer. The Government of Lebanon is counting heavily on Arab donors as well as its own domestic resources, both public and private, to fund the bulk of reconstruction costs.

The wealthy Arab countries have made it clear that while prepared to help Lebanon, they are holding back official commitments until they are more certain of the prospects for Israeli withdrawal and the nature of relations between President Gemayel and Israel. Nevertheless, the wealthy Arab nations have contributed significant amounts of relief assistance to Lebanon and to the Palestinians through UNRWA, ICRC and UNICEF. However, we are unaware of any new commitments of official Arab aid for reconstruction.

Unofficial Arab assistance is flowing into Lebanon through private channels. While no official estimate has been made of the overall level, this private assistance could be as much as $50 million. In addition, we think many donors are holding off announcing their intentions because they want to see what the World Bank report on Lebanon looks like.

Question 8. The pipeline of funds in the economic program continues to grow. It is now estimated at about $2.7 billion, up about $200 million from this time a year ago. What are the reasons and do you see any improvement in sight?

Answer. CIP expenditures in fiscal year 1982 were $145 million below their level in fiscal year 1981. We had some difficult negotiations with the Egyptian Government on interest rates which held up implementation.

While project expenditures reached a new high in fiscal year 1982, $355 million, we had hoped for more.

We project that in fiscal year 1983, expenditures ($867 million) will exceed obligations ($750 million) and thus, the pipeline will fall for the first time. Our Mission has made a special effort to make realistic expenditure projections. In fact, expenditures during the first quarter of fiscal year 1983 were $216 million, right on target.

Many of our projects are now under full implementation after years of planning and design. Because of this, we project fiscal year 1984 expenditures ($964 million) to be even better than fiscal year 1983.

Question 9. Last year when President Mubarak visited the United States, he and President Reagan agreed on a number of steps in a joint communique designed to increase Egypt's flexibility in managing its U.S. assistance. Included were steps to finance more aid on a sectoral basis rather than by specific project and also that the Administration would seek "deob-reob" authority. What steps have you taken to implement this agreement.

Answer. The Administration is responding positively in several areas of Egyptian concern:

We are providing sector, rather than project, assistance whenever appropriate (examples: Decentralization in fiscal year 1982 and a new broad sector support program covering a wide variety of agricultural research and extension activities planned for fiscal year 1983);

We partially fund, rather than fully fund, projects whenever possible to keep obligations more in line with the rate of expenditure of a project;

We are seeking Administration clearance of a limited deob-reob authority request to release funds from problem projects;

About two-thirds of our assistance already is provided in quick disbursing forms (e.g. CIP and Public Law 480 Title I programs) which support balance of payments objectives;

In fiscal year 1982 we began high level bi-annual portfolio reviews with the Egyptian Government to help resolve implementation problems;

Based on discussions held during President Mubarak's recent visit, we are focussing the AID program in support of Egypt's new 5-year plan, especially in the areas

of water/wastewater system improvement and expansion, and agricultural and industrial development.

Question 10. A recent Washington Post article quotes AID Mission Director Michael Stone in Cairo as saying there were about $300 million worth of "turkey projects" (his words) that ought to be deobligated in Egypt.

Does the Administration plan to request deobligation/reobligation authority for the Egyptian aid program this year?

Answer. AID is very desirous of obtaining deob-reob authority for the Egypt program. Active discussions are underway within the Administration as to the most appropriate form such a request might take. As you know, there are potential effects on other aspects of the worldwide U.S. assistance program and the 150 account that must be taken into consideration. We very much hope to be able to come to the Congress soon with a specific proposition.

Question 11. About one-third of the Egyptian Government's budget is spent on subsidies for bread and other items. Granted the political sensitivity of reforms, as shown by the bread riots several years ago, is the IMF or the Mubarak government making any progress in instituting reforms?

Answer. Although the Government of Egypt has taken important strides in institutional reform and foreign exchange management, pricing and subsidies have not been an area of strong corrective policy performance. Government policy continues to provide most Egyptian households with basic consumer commodities and services at low prices. Small changes in the number of subsidized items and in their prices have been only gradually instituted.

In 1980, the government increased the extraction rate for the popular, lower quality balady bread which is mainly consumed by the poor and carries a larger subsidy. At the same time a better quality bread was introduced, which has a higher price and carries a lower subsidy element. Somewhat later, in 1982, several commodities were dropped from the list of items available with ration cards and the amount of rice was reduced which could be purchased at the low, rationed price. Red meat prices in government stores almost tripled over the 1980–82 period. In addition, small price increases were made in a range of utility and energy products. Premium gasoline prices, electricity rates and water tariffs were raised 15 to 20 percent. Most recently the government announced new rules which will reduce the number of households eligible to purchase rationed commodities and reduce the eligibility of richer households to purchase the more heavily subsidized commodities.

Nevertheless, direct subsidies are equivalent to 30 percent of government revenues and represent a significant demand on the budget. Indirect subsidies, such as energy products, do not affect the budget, but contribute significant losses to the economy.

The Egyptian Government maintains a continuing consultative relationship with the IMF. There has not been a formal agreement between the IMF and Egypt since the Extended Fund Facility Agreement of 1978.

Question 12. The 1983 AID "Report on the Egyptian Economy and Debt Repayment Prospects" says "The outlook for Egypt's debt repayment burden is sober." The report says the total debt service for 1982 is estimated at $2.234 billion, an increase of $500 million over 1981. How are we taking the problem into account?

Answer. We are very much concerned with the ability of the Egyptian economy to earn sufficient foreign exchange to service foreign debt and also provide its economy with the external resources it requires for its development program. In order to ease its debt service problem the AID program is provided on a grant basis. We also encourage other donors to provide assistance on the most generous terms possible. (The Japanese recently provided a cash grant for debt relief.) The Administration's request for fiscal year 1984 provides that $450 million of the proposed FMS assistance be in the form of forgiven credits.

Our overall economic assistance program is designed to channel investments along lines to provide Egypt the capacity to earn additional foreign exchange to meet its debt service and other needs. For example, in agriculture, we have projects designed to enable Egypt to better feed itself and reduce it dependence of food imports. In industry, we are encouraging investments which will increase its export and import substitution capability.

At the same time, through our ongoing policy dialogue with the Egyptian Government, we encourage the government to analyze economic policy alternatives and to undertake necessary structural adjustment programs. We are especially encouraging the government to rationalize energy and agricultural prices.

Question 13. The Egyptian press recently carried articles sharply criticizing the U.S. aid program as a "shadow government" in Cairo. The trust of the criticism is focused on the size of the AID Mission (about 150 persons) as well as the functioning

of the aid program in various sectors of the Egyptian economy. What steps have been taken to respond to this criticism?

Answer. The number of U.S. Government personnel in any country is a matter to which we are sensitive and regularly evaluate. While our AID Mission in Cairo is the largest AID Mission anywhere, we do not believe it is unduly large given the size of the economic assistance program it administers. With annual obligations of $750 million in ESF plus over $250 million in Public Law 480 food, and with a $2.7 billion portfolio of some 70 projects and dozens of sub-projects, careful program and project design, administration and monitoring that protect the U.S. taxpayer's interest cannot be properly carried out with a smaller staff.

In no way does that AID Mission constitute a shadow government. Such periodic criticism is founded in misperceptions both of the relative number of AID personnel in Egypt and of their role. At any time, there are 12,000–13,000 Americans in Egypt, including some 3,000 tourists and over 7,000 non-U.S. Government related residents. Of the remainder, approximately 130 are direct-hire U.S. employees of AID and slightly less than 500 are AID-financed contractors, most of them under contracts with the Egyptian Government. Therefore, while it is possible that many Egyptians assume that the Americans they encounter are connected with the AID program, the odds are distinctly against this being true. Reducing the number of AID personnel would have little or no effect on this misperception. With respect to the role of U.S. consultants and advisors, which are the particular target of criticism, our mission takes every appropriate opportunity to emphasize that the vast majority are in Egypt at the specific request of the Egyptian Government and usually under contract to that government. In addition, we have been especially careful to limit the number of AID direct hire and direct contract advisors to the essential minimum.

Question 14. This year's annual AID report on Israel's economy and debt alters the way debt servicing costs are considered. The 1983 report merely says that the debt servicing cost is an annual $10.5 million per $100 million FMS, based on the assumption that the FMS interest rate is 10.5 percent. Last year the cost of Israeli borrowing was estimated at more than $22 million per year for each $100 million borrowed. Why is there such a difference in the way the two reports dealt with the issue?

Answer. The estimated cost of Israeli borrowing from the United States in last year's report was derived from the assumptions that the FMS interest rate was 14.5 percent and that Israel would have to borrow funds required to pay this interest at an estimated market rate of 16 percent. In this year's report it is assumed that the FMS interest rate is 10.5 percent and that this is the only direct annual cost incurred by Israel in financing the unforgiven FMS credits. Thus this year's report does not assume that Israel must borrow commercially to service FMS assistance but can draw on reserves which have been increasing in each of the past 7 years or service it directly with earned foreign exchange.

Question 15. The economic aid program to Jordan appears to be shifting from traditional projects such as agriculture or technical assistance. Why is that?

Answer. Jordan's Five-Year Development Plan gives priority attention to agriculture, water and irrigation, energy, and other areas of priority concern to AID. We have developed our proposed project portfolio in keeping with these shared Jordanian and AID priorities. In fiscal year 1982, AID began a reorientation of its programs away from capital assistance and infrastructure-type projects toward technical assistance and projects stressing technology transfer and institution building, thereby enhancing the prospects for long-term development benefits and lasting United States-Jordanian relationships. While AID's and Jordan's development priorities remain basically unchanged, the methodologies with which AID and the Government of Jordan are addressing key developmental problems are increasingly focussed on developing institutional capacities in both the public and private sectors. We believe this focus will allow Jordan to ultimately continue its economic progress without U.S. assistance.

Question 16. If Jordan did enter the peace process and we wanted to provide them with additional economic assistance as we did with Egypt, what type and size of program is likely?

Answer. If Jordan should become an active participant in the Mid-East peace process and this created an economic and financial hardship for the Jordanians, the United States would be prepared to consider providing some additional economic assistance. At this point it is premature to speculate as to what type and size program this might be.

Question 17. A slight increase is proposed for the regional cooperative programs, involving primarily Egypt and Israel. Is this an expression of optimism that relations will improve making more projects possible. Or does the proposed $7 million

reflect projects which already have been approved by the Egyptians as well as the Israelis?

Answer. The requested level reflects the hope that, following progress in the negotiations on Lebanon, Egyptian/Israeli relations will improve and the normalization process will get back on track. Prior to the Lebanon war, normalization was progressing rapidly and a number of regional activities were under development. Many of these had to be put aside due to the deterioration in relations but they will probably be revived if the political situation improves.

Question 18. As you know, when the Committee initiated the program in 1979, Israel and Egypt were regarded as the countries most likely to take part. Do you envision relations between Israel and Lebanon reaching a point where some joint scientific or agricultural programs might be developed?

Answer. Egyptians and Israelis still form the large majority of participants in regional projects, although there has been some participation by other Arabs. Following the withdrawal of foreign forces from Lebanon, we would hope that mutually beneficial cooperative activities involving Lebanese and Israelis would gradually develop. With the approval of the Lebanese Government, we would consider supporting some of them from the regional fund.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR BOSCHWITZ

Question 1. The Near East and South Asia continue to receive well over half of the U.S. bilateral assistance. Do you think these figures accurately reflect our world-wide interest? What is your response to those who say the Near East is getting a disproportionate share of the aid?

Answer. We are very much aware of, and quite sensitive to, the large proportion of U.S. foreign assistance resources which are required to help advance U.S. policy objectives in the NEA region. However, the levels and terms of our proposed assistance had been carefully developed within the constraints of our budget stringencies and the President's economic program and are the amounts needed to support our policies in this region.

From Bangladesh in the east, to Morocco in the west, we face conflicts and challenges which threaten our strategic position in the region and in the world. In dealing with the wide range of issues and threats facing the region, we must strengthen the perception that we are dedicated to the security and economic well being of all friendly states in the area.

Our programs support objectives in the region that are vital to our own peace, security and well-being, among which are:

A just and lasting Middle East peace;

Withdrawal of all foreign forces from Lebanon, and the reconstruction of that tormented country;

Safeguarding vital U.S. interests in Southwest Asia;

Return of peace to an independent, non-aligned Afghanistan with the withdrawal of Soviet military forces and the return of 3 million Afghan refugees.

The NEA region includes all countries involved in the crucial Middle East peace process, a process which the Administration ranks among our very highest foreign policy priorities. Both Secretary Shultz and Under Secretary Schneider pointed out in testimony before Congressional Committees that the largest share of our proposed fiscal year 1984 assistance funds is for the peace and security process in the Middle East. Indeed, Israel alone accounts for almost 40 percent of the fiscal year 1984 foreign assistance request for the NEA region. The assistance program for this strategic category is directed at supporting our efforts to bring a just and lasting Middle East peace with security. The program also seeks to advance the welfare of the populations and the economic health of their countries to promote economic strength and political stability. Our assistance to Israel and Egypt, along with our aid to Jordan, Lebanon and the regional program, provides a security and economic base essential to ultimate stability and peace within the region.

NEA countries also comprise a significant and strategically important part of the Southwest Asian region, which is a critical source of energy to the free world. These are forward defense countries, such as Pakistan, contributing to maintenance of the U.S. security posture within the region; enroute access countries, providing transit facilities and support into the region; and other key countries that can significantly affect the achievement of U.S. goals. The region is simultaneously threatened by the Soviets and radical forces from within. Therefore, assistance to countries both in the region and enroute—particularly in the northern tier of Africa—which are under

direct Soviet pressure or which provide political and military support for U.S. access to and presence in the region, must be among our highest priorities.

The countries of South Asia can significantly affect the achievement of U.S. goals in Southwest Asia. Their internal stability is important to the region as a whole. Preservation of bilateral economic aid levels in real terms is an effective way to demonstrate U.S. interest in their well-being. Moreover, South Asian countries are influential in international force. Though among the most populous and poorest countries in the world, the nations of South Asia have generally made commendable progress in economic development and toward more market-oriented policies.

In summary, a persistent pursuit of policies designed to strengthen the economies and defense capabilities of key countries in the Near East and South Asia is crucial to:

Preserving a global strategic balance which will permit free nations to pursue their aspirations;

Checking the spread of Soviet influence in this strategic region;

Fulfilling our responsibility to assist in the resolution of conflicts which threaten international security and the well-being of the nations and peoples in the region;

Preserving free world access to the region's oil; and

Supporting our major economic interests such as: maintaining access to important markets for American goods and services; and, assisting the orderly economic development of the less wealthy countries in the region.

At assistance levels below the fiscal year 1984 request for the NEA region:

We risk setbacks in our Middle East peace efforts;

We risk the loss of military access vital to projecting a U.S. presence into the Indian Ocean/Persian Gulf region, and;

We risk the loss of ability by our regional friends and allies to resist Soviet and Soviet-supported challenges to peace and stability.

Thus, if we are to advance major U.S. national interests, we must provide the resources commensurate with the need to strengthen the economies and defense capabilities of key countries in this vital area of the world.

Question 2. Lebanese say that the Saudis have threatened to refuse economic assistance if Lebanon agrees to a formal normalization agreement with Israel.

What is the U.S. position regarding a normalization agreement?

What efforts has the U.S. Government made to persuade the Saudis to give Lebanon, whose sovereignty we strongly support, some leeway in the negotiations? If we have made some approaches, what was the Saudi response?

Answer. It is a fundamental U.S. position to support peace between Israel and each of her neighbors. The U.S. goal for Lebanon is to see a sovereign, unified, and independent Lebanon, free from foreign forces, and from which there can be no threat to Israel's security. The Lebanese share this goal and recognize the need and desirability of achieving mututal security arrangements with Israel. The Government of Lebanon is concerned that there not be concessions in its ongoing negotiations with Israel which would interfere with internal Lebanese reconciliation or which would endanger Lebanon's ties to other Arab countries. Those ties are especially important because Lebanon is highly dependent on its economic relations with the other Arab States and will look to the wealthy Arabs to fund the bulk of postwar reconstruction.

We have frequently discussed with the Saudi Government all aspects of the Lebanese situation, including the negotiations in which we are participating with Israel and Lebanon. We have consistently made clear our view that the Government of Lebanon must have some leeway in these negotiations without endangering Saudi support. The Saudi Government has not yet declared its position, pending the outcome of the negotiations.

Question 3. The Beirut Chamber of Commerce last week reported that Saudi Arabia has banned various imported items from Lebanon, apparently because of concern that the products originated in Israel. Lebanese exports to Saudi Arabia were estimated at $380 million in 1981.

Is not such a trade barrier more likely to hurt Lebanon than Israel?

Has the United States made any approaches to Saudi Arabia about the matter?

How much revenue is Lebanon losing from the shipping of goods into Lebanon from the port of Haifa?

Answer. Such a trade barrier would harm Lebanon rather than Israel to the extent that it reduced sales to Saudi Arabia of Lebanese goods or non-Israeli third-country goods handled by Lebanese merchants.

Officers of our mission in Saudi Arabia have been in touch with a wide range of Saudi officials and businessmen, and have reported that Saudi imports of Lebanese goods accompanied by currently required certificates of origin are continuing with

only occasional difficulties. It is our understanding that a Saudi Customs delegation is to travel or has traveled to lebanon and that the two countries are working to resolve difficulties. The precise situation, however, is not clear, and we continue to watch this issue closely.

We lack information on the volume of commercial traffic through Haifa into Southern Lebanon. Moreover, the presence of foreign forces in Lebanon has so disrupted internal trade that revenue losses to Lebanon from the use of the port of Haifa, while important, are impossible to estimate.

Question 4. The proposed $100 million in military assistance to Lebanon is to help rebuild five brigades in the Lebanese Army.

Assuming all the equipment is delivered on schedule, how long before the five brigades will be rebuilt and ready?

What confidence do you have that the new equipment in a country inundated with weapons will be enough to strengthen the Army?

Answer. We are assisting Lebanon to bring four brigades up to 70 percent strength as soon as possible. We have delivered most of the equipment ($75 million) for these brigades and the units should complete training by mid-May at the latest. The Government of Lebanon is planning to reequip and retrain a fifth brigade by February 1984. Contracts for most of this equipment ($55 million) have already been signed. The Government of Lebanon plans to reequip and retrain two additional brigades (estimated cost $105 million) by mid-1984. The $100 million supplemental for fiscal year 1983 will be used to order equipment for these two brigades.

The amount and type of new equipment was determined by a U.S. Defense Requirements Survey Team which visited Lebanon last October and analysed the needs of the Lebanese Armed Forces. The equipment recommended by the survery team will allow the Lebanese Armed Forces to regain control of the country, maintain internal security, and prevent infiltration by terrorists across Lebanon's borders.

Question 5. The Lebanese Army recently moved into East Beirut. Does the Army have enough trained men now to take over additional areas? Could it move into the positions along the Beirut-Damascus road if Israel and Syria agreed to a partial disengagement from that area in the very near future? How did the Government of Lebanon successfully negotiate the withdrawal of Lebanese Forces from East Beirut?

Answer. The Lebanese Armed Forces currently have enough trained men to take over some additional areas, as evidenced by the recent takeover of East Beirut. In the event of a partial Syrian-Israeli disengagement, we would expect the Lebanese Armed Forces to deploy into areas along the Beirut-Damascus highway with the assistance of the Multinational Force.

The United States Government was not a party to the negotiations between the Government of Lebanon and the Lebanese Forces (Falange) concerning the Lebanese Armed Forces' (government forces) entry into East Beirut.

Question 6. If Israeli, Syrian and PLO forces agree to completely withdraw from Lebanon in the near future, would the Lebanese Army be ready in a month to handle the security job? If not, how many additional multinational forces will be needed, and could the necessary number be obtained?

Answer. With each passing day, the capability of the Lebanese Armed Forces increases. A month from now, however, they still will not be capable of maintaining security throughout the country. Some sort of outside, multinational assistance will be needed. Which international organizations will provide that assistance, and in what proportion, has not yet been determined.

Question 7. What understandings were reached with President Mubarak during his recent visit here concerning the levels and terms of both the economic and military aid programs?

Answer. The levels and terms of the aid program discussed with President Mubarak and his advisors during the recent visit were the same as those provided the Congress, i.e. Economic Support Fund grants of $750 million and an FMS package of $1.3 billion, including $450 million in forgiven credits. President Mubarak was also given assurances that our economic assistance will complement Egypt's economic policy and development priorities, with specific reference to the priorities of Egypt's new 5-year plan. Emphasis will be placed on increasing agricultural and industrial productivity and the rehabilitation and expansion of the water and related disposal systems in Egypt's major centers.

Question 8. Is there any indication the Egyptian military is changing its modernization program and equipment purchases as a result of the recent tensions with Libya?

Answer. The Egyptian modernization and equipment purchase program, including its purchases using FMS funds, must of necessity operate with a long planning horizon, and major changes would be introduced over time. We have received no indication that the Egyptian military plans to introduce changes in its program due to the recent tensions with Libya.

Question 9. The Administration is proposing a total of $1.7 billion in FMS in loans and grants. Last year we were told the $300 million increase in loans over the fiscal year 1982 level was to help Israel purchase additional F-15s to help offset the Saudi AWACs and F-15 enhancement package approved in 1981.

Does the $1.7 billion figure also intend to help cover the cost of the planes? If so, is fiscal year 1985 FMS likely to revert to $1.4 billion for Israel?

Answer. The $300 million increase for fiscal years 1983 and 1984 was discussed with the Israelis at the time of the AWACs sale but not with respect to either specific equipment or any direct relationship to that sale. We indicated last year that we understood it was likely the Israelis might choose to purchase F-15 aircraft with some portion of the $600 million. The $1.7 billion would cover progress payments on already contracted items as well as payments for new purchases which could include aircraft as well as a variety of other equipment. The Administration has not yet decided on levels for fiscal year 1985 assistance for Israel or any other country.

Question 10. The Congressional notification received last year estimated the cost of the 11 F-15s at $510 million. Is it true that the cost has risen to about $560 million?

Answer. No. The current estimated cost of 11 F-15s is $492.3 million.

Question 11. This Committee last year voted to convert the $300 million additional FMS from loans to grants. It also added $125 million in ESF grants because of Israel's debt burden. The Continuing Resolution, however, converted $200 million of the proposed additional loan to grant, thus providing a total of $750 million in FMS grants. In view of the Congressional sentiment, why is the Administration this year proposing that the FMS grant level be $550 million instead of at least $750 million?

Answer. As you know, the Administration opposed the additional funds for Israel cited in your question. We have proposed levels for fiscal year 1984 which are fully adequate to meet Israel's economic and security requirements and are consistent with U.S. budgetary reality. We have improved the terms of our proposal for fiscal year 1984 somewhat, in part in response to Israel's export performance in 1982, but we continue to believe that Israel's economy remains strong and vital.

Export performance declined somewhat in 1982 but captial inflows more than covered any shortfall since official foreign exchange reserves continued to rise. Moreover, Israel was able to meet certain domestic objectives such as maintaining unemployment at only 5 percent and continuing real increases in wages and domestic private consumption.

The modest decline in Israel's exports (about 4.8 percent in real terms in 1982 compared to 1981) resulted in part from adverse international factors (stagnation in the economies of key western markets and appreciation of the U.S. dollar relative to Western European currencies. At the same time some domestic Israeli economic policies designed to support domestic earnings and consumption and reduce domestic inflation contributed to the decline.

The strength of the Israeli economy is revealed, however, in the growth of Israeli exports prior to 1982—a period when many other LDCs were already suffering export shortfalls. The Israeli economy has shown greater resilience than many to adverse international factors and, assisted by appropriate economic policies, should be well situated to take advantage of an expected modest upturn in the Western economies this year. In addition, the ability of Israel to absorb the costs of the invasion in Lebanon must be cited as an example of the basic strength of the economy. The costs of the war are estimated at about $1 billion (largely in local currency) while the Government's "Peace for Galilee" tax package will generate about $1.45 billion in revenues.

Given Israeli economic performance, U.S. budgetary reality, and the requirements of other vital U.S. strategic objectives, the Administration's proposal for fiscal year 1984 represents a generous response to Israel's requirements.

Question 12. At the beginning of the year, AID estimated that Israel will be paying back to the United States about $1.1 billion on previous FMS loans. Is that figure still accurate?

Answer. More recent recalculations place the Israeli obligations closer to $1 billion. A reduction of almost $100 million in calculated FMS obligations resulted largely from declining U.S. interest rates in recent months and differences in the speed of disbursement.

Question 13. Could you provide the committee, for the record, an estimate of the current defense spending budgets of Israel, Egypt, Syria, Jordan, Saudi Arabia, and Iraq?

Answer. The Israeli Government budget for the Ministry of Defense in their fiscal year 1982 (April 1, 1982–March 31, 1983) currently totals 139.5 billion shekels (approximately $4.4 billion). The original budget estimate for that year of 130.2 billion shekels has been augmented by one supplemental authority. This figure does not, however, include expenditures on defense imports financed largely through U.S. FMS credits. Such imports total about $2 to $2.5 billion per year. Thus total defense expenditures are between $6.4 and $6.9 billion.

The Egyptian Armed Forces budget for the fiscal year 1982–83 (ending June 30, 1983) is 1.742 billion Egyptian pounds. At the official rate of exchange, the Egyptian defense budget is therefore $2.488 billion.

In Syria, the announced allocation for national security in 1981 was 9.38 billion Syrian pounds (U.S. $2.4 billion at the official rate of exchange), of which 8.8 billion Syrian pounds (U.S. $2.3 billion) were for Ministry of Defense and 588 million Syrian pounds (U.S. $151 million) for internal security. In December of that year, there was a supplement of 250 million pounds (U.S. $64 million). In 1982, planned national security expenditures were increased to 9.78 billion Syrian pounds (U.S. $2.5 billion). These planned expenditures probably greatly understate actual expenditures, for which we have no information. For example, the terms offered by the Soviet Union, Syria's largest arms supplier, are not known, but it is obvious that the antiaircraft missile system, supplied after the 1982 budget was planned, would constitute a major portion of the planned budget. The cost of those missile systems was most likely an addition to the level of the original budget.

Total defense expenditures for Jordan in 1983, including funds allocated to the Ministry of Defense, the Public Security Forces and civil defense, amount to 199.3 million Jordanian dinars (approximately 595 million U.S. dollars), exclusive of military capital expenditures. The Government of Jordan's published 1983 budget, like its predecessors, omits any data on planned capital expenditures for the armed forces.

The Saudi budget for Saudi fiscal year 1982–83 list total defense and security expenditures as 92.9 billion Saudi riyals, or about $27.2 billion. This figure is considerably inflated in some respects: it appears to include foreign and domestic security and intelligence functions and a large portion of it (perhaps around 40 percent) represents dual use infrastructure projects such as roads and harbors as well as welfare expenditures such as housing, schools, and hospital and health care services for members of security forces and their extended families.

The Government of Iraq does not publish its defense budget but it is estimated that Iraq's war with Iran is requiring defense expenditures of some U.S. $12 billion a year.

Question 14. What is the status of the efforts to negotiate an agreement with Israel on the sharing of data and information from their clashes with the Syrians last summer? Is it true that Israel seeks advance approval before the data or design changes are passed along to NATO countries and if so, is there a way to keep the information from being incorporated into weapons sold to the Arabs?

Answer. As a general matter, we have longstanding cooperative relationships with Israel in intellegence areas as well as other areas. We expect these relationships to continue and feel that they more than adequately address our needs for sharing recent military intelligence with Israel. Beyond that, we are unable to go into greater detail on intelligence matters in the open record.

Question 15. How much is Israel expected to be spending on new settlements? Does any U.S. aid money go for settlements?

Answer. There are a variety of incentives and subsidies offered at various levels to encourage settlement in the West Bank. To encourage construction, for example, state lands are made available on the West Bank at a lower fraction of the assessed value than similar lands within Israel itself. Individuals are also offered special grants to make downpayments on houses, specially subsidized mortgages, and other special social services. Since only some of the subsidies offered appear as actual budget costs in the Israeli Government budget, the overall costs are virtually impossible to estimate. Clearly, the overall cost of settlements—taking into account the above enumerated subsidies, plus the costs of various social, education, and police services, etc.—exceeds the direct costs as revealed in the budget (about $121 million) by a considerable amount.

Our cash transfer agreement with Israel indicates specifically that the funds we are providing are only for program uses within ". . . the geographic areas which were subject to the Government of Israel administration prior to June 5, 1967." We

also have an assurance from the GOI that Israel's nondefense imports from the United States will be at least equal to the level of our economic assistance program. The simple answer, therefore, is that U.S. assistance does not directly go to Israeli settlement activities.

In a broader context, however, we have to admit that money is fungible. U.S. Government assistance (or indeed any external assistance for virtually any purpose) frees up other domestic sources of revenue which can then be used for these activities.

Question 16. The United States provides Israel with $785 million in ESF. Are there any restrictions on how this money is spent? If so, what are they?

Answer. ESF is provided to Israel in the form of a cash transfer, i.e., a transfer to an account of the Government of Israel. The GOI provides us with written assurances that the level of Israel's nondefense imports from the United States during the fiscal year concerned will exceed the level of ESF assistance to be provided and that U.S. suppliers will not be disadvantaged by the termination of the commodity import program. The GOI also assures us that, regarding the transport of goods imported from the United States, it will continue to follow established procedures for bulk shipments of grain on dry bulk carriers. These procedures have been developed to insure that U.S.-flag carriers receive a fair share of the market.

Question 17. What is the status of the proposed F-16 sale to Israel? We received the informal notification before the Lebanon invasion but the formal notification was held up. Secretary Weinberger is reported to have testified that the final approval was being delayed pending the review of whether Israel used weapons for defense purposes. But informal notifications have been received for some additional ordinance for Israel. Does this suggest that the barriers to the F-16 notification have been removed?

Answer. The President decided in mid-June of last year that he would personally make the decision regarding the timing of formal notification to the Congress on this sale. He has yet to make this decision. This in no way impacts on his deep and personal commitment to Israel's security which remains firm, as noted in his February 22 speech to the American Legion.

Question 18. King Hussein previously said he expected to make an announcement at the beginning of March on whether he will seek to enter talks with Israel on the future of the West Bank.

Do you anticipate an announcement?

Did the recent PLO conference in Algiers give him the green light?

Did the conference approve the proposal that Palestinians who are not PLO leaders take part in a joint negotiating commission with Jordan?

Jordanian officials in Amman told visitors last month that the PLO had to decide whether it was more interested in prepetuating its organization or regaining some of the territory. What kind of decision do you think the PLO made?

Answer. We hope in the next few weeks that King Hussein will announce his participation to join in the peace negotiations with Israel, Egypt, and the United States.

I would not characterize the outcome of the recent PNC meeting in Algiers as a "green light" for King Hussein to enter into negotiations. But there appears to be some flexibility in the positions, and we feel that the PNC resolutions say nothing to prevent the king from participating in the peace process. In any case, at this point the wording of the resolution is not as important as how the resolution is acted on by the PLO leadership.

The conference did not address the question of who might join in Jordan's negotiating delegation.

We do not know whether the PLO had to decide whether it was more interested in perpetuating its organization or regaining some of the territory. We do know that for many Palestinians the value of the PLO as an organization will depend on whether it supports practical steps to regain territory for a Palestinian homeland.

Question 19. Under the administration's proposals, Jordan would receive $35 million in additional FMS loans in the fiscal year 1983 supplemental and $115 million in fiscal year 1984. Would any of these funds be used to finance advance payment for the F-16's, F-20's or Hawk missiles Jordan wants to buy from the United States? If not, how will the funds be used?

Answer. None of these funds could be authorized for purchase of the weapons systems mentioned until such time as the administration approves such a sale to Jordan. As part of the process of approval, the administration would be required to give prior notification to Congress. Meanwhile, no letter of offer and acceptance has been prepared for such system.

Unless we achieve the desired level of FMS funding by way of the fiscal year 1983 supplemental and the proposed fiscal year 1984 requests, Jordan will be hard

pressed to obtain followon support for U.S. equipment already in its inventory and to make modest purchases of equipment vitally needed to modernize its defense forces. The proposed level of financing could not contribute significantly to the purchase of major weapons systems.

The major items which the Government of Jordan would like to purchase with these funds are: manportable anti-tank missiles, tactical communications equipment, tactical wheeled vehicles (jeeps and transport trucks), APC's and air and ground munitions.

Question 20. Previously when Congress asked about the proposed Jordanian arms sale, we have been told "no formal request" has been made. Obviously, there have been discussions on this issue. Is it true that Jordan is interested in at least three or four squadrons of planes? Even if no "formal request has been made yet" what is your estimate of the likelihood that a request will be submitted to Congress this year?

Would the administration approve and forward to Congress a major arms sale without a credible move by King Hussein to enter the peace process?

Answer. It is not useful to speculate at this time, on what the Government of Jordan would request, when it would request it, or under what circumstances it would request a major arms sale.

The United States and Jordan have had a mutually productive military assistance and security relationship for over a quarter of a century in the context of our traditional close relationship. Jordan has an urgent requirement for more modern armament, especially for air defense. Jordan shares our priority goals for the security and stability of the area, including the Gulf. In light of this longstanding relationship, any future Jordanian request for the sale of arms will be given serious consideration, in full consultation with the Congress.

Should Jordan decide to engage in the peace process with us, Jordan inevitably will accept a heightened risk to its security. If Jordan undertakes such a historic commitment, the United States will accept its responsibilities of leaderhip by continuing our tangible support for Jordanian security.

Any arms request from Jordan will be considered carefully. Congress will be consulted and have ample opportunity to review major arms sales decisions.

Question 21. Can you comment on the press report earlier this month that Jordan and the United States have been developing plans for a Jordanian rapid deployment force to help protect Persian Gulf nations?

Answer. Jordan is an important friend of the United States with which we have longstanding and well-known military supply relationships. As Jordan shares our priority goals for security and stability of the area, including the Gulf, it should surprise no one that questions of regional security are regularly discussed.

Question 22. Despite the clear congressional record of support for continuing economic assistance for Tunisia, the administration's fiscal year 1984 proposal does not include the $5 million ESF Congress approved for 1983. Why is the administration opposed to demonstrating concern for the economic well-being of Tunisia?

Answer. The administration does not oppose demonstrating concern for the economic welfare of Tunisia. Economic assistance in fiscal year 1984 is expected to include $10 million of Public Law 480 title I assistance and over $1 million of title II assistance. In addition, several million dollars will be spent on ongoing development projects this year and similar amounts during the next few years. However, this administration has chosen to abide by an earlier decision to phase out Aid to Tunisia during the next few years. The very success of Tunisia's economic development into a middle-income country with a per capita income of over $1,300 has raised it above the extremity of economic suffering in many other countries of the world. In an era of scarcity, we feel compelled to allocate our few resources to the countries where the need is greatest.

Question 23. Tunisia is sending an increasing number of students to the United States at the Tunisian Government's expense. The estimated cost is about $6 million. Hopefully, when these students graduate and become involved in the country's political and business life, they will be favorably inclined to the United States. Why don't we meet part of these costs as we do with Cyprus?

Answer. The U.S. Government does meet part of the cost of the new Tunisian initiative to send an increasing number of undergraduates to the United States. We fund a portion of the manpower planning, placement, and other preparatory costs of the program. In addition, we provide virtually full support to a substantial number of Tunisian undergraduates and graduates studying in the United States, as we have for many years. We do believe that the students we are funding, the many we have already funded, and those being funded by the Tunisians will indeed form a reservoir of Tunisian leaders well disposed to the United States.

Question 24. Tunisia, like the Sudan and Chad, has been concerned about threats from Libya. Tunisia is having difficulty financing its military purchases and Tunisian officials estimate that even if the CR allocations are approved, Tunisia will still be short about $77 million. Will the fiscal year 1983 supplemental and fiscal year 1984 proposals cover the gap? If not, will the Tunisians have to divert additional resources from their development program?

Answer. The fiscal year 1983 supplemental ($73 million) and fiscal year 1984 ($140 million) requests for Tunisia include all the additional funds Tunisia would require to proceed on schedule with the military modernization program we have developed with them. The President's recent proposal to reprogram fiscal year 1983 supplemental funds to El Salvador would not decrease Tunisia's total security assistance in fiscal year 1983. It would, however, decrease the grant component of the assistance somewhat, but not, we believe, so much as to imperil Tunisia's development program.

Question 25. Does the increased aid program to Morocco reflect a change by the United States toward the Western Sahara conflict? Are we now supporting a military as opposed to a political solution?

Answer. U.S. Government policy on the Western Sahara conflict has been consistent. We support fully, and encourage all parties to support, the Organization of African Unity's [OAU] ceasefire/referendum formula for a negotiated settlement. We envisage such negotiations as seeking to arrange a ceasefire and the working out of modalities for holding a referendum on self-determination.

We believe that continuation of the war is not in anyone's interest. While we would hope that the results of a referendum would lead to the end of the conflict in the area, our policy does not seek a precisely predetermined outcome.

Our policy of assistance to Morocco has demonstrated the U.S. resolve to support its friends and has enabled Morocco, in a very modest way, "to arm to parley" so that the country could pursue political solutions rather than merely addressing military necessities. We are, of course, gratified that Morocco's original acceptance of OAU resolutions proposing a ceasefire and referendum have just been reaffirmed.

Question 26. King Hassan of Morocco and President Bendjedid of Algeria are reported to have held direct talks on the Western Sahara conflict. What were the results of this meeting?

Answer. The recent meeting between King Hassan of Morocco and President Bendjedid of Algeria is a welcome development. Both parties have stated that the meeting was a culmination of preparatory contacts designed to lead toward a restoration of bilateral relations, suspended since 1975. Naturally, we support any rapprochement between these two important neighbors. Both sides have also stated that the recent meeting does not reflect changes in their policies. This suggests the need to await developments to gauge the direction and pace of their rapprochement. We believe, nonetheless, that the Hassan/Bendjedid summit augurs well for the negotiated resolution of the Western Sahara question in a multilateral context.

Question 27. Why do we continue to have such a relatively large aid program to North Yemen when that country continues to receive considerable amounts of military assistance from the Soviet Union?

Answer. North Yemen has had a long military supply relationship with the Soviet Union. Nevertheless, the Yemeni Government has maintained an independent, neutral foreign policy and an economy favorable to private enterprise and foreign investment. Western military and economic assistance has been, and will remain, essential to support the ability of the YAR to preserve its independence. Our assistance in carefully chosen areas has made a valuable contribution to Yemen's economic and social growth and has helped to maintain its independence and to strengthen its security. This assistance has clearly strengthened the YARG's resolve to maintain and to strengthen its ties to the West and the moderate Arab States, and we believe it to be in our own best interests to continue our efforts.

Our modest security assistance program is directed at providing essential training and support for YAR forces to operate and maintain U.S. military equipment presently in the Yemeni inventory. These items, including F-5 aircraft and M-60A1 tanks, were purchased in 1979-80 by Saudi Arabia in a trialteral assistance arrangement. Although smaller in terms of resources, this effort contrasts very favorably with Soviet security assistance in terms of quality and effectiveness.

Question 28. What is the rationale for the U.S. aid progam? Is South Yemen still considered a threat? Is Saudi Arabia providing considerable assistance?

Answer. The stability and independence of the Yemen Arab Republic, strategically located on the Arabian Peninsula at the entrance to the Red Sea, serves important U.S. interests. At the same time the YAR is a country that possesses almost no economic resources, depending primarily for its foreign exchange earnings on remit-

tances from Yemeni workers in the nearby oil-producing countries and on assistance from those same nations. Income from both these sources is falling, due to the oil producers' reduced income. In these circumstances the United States and other Western governments have considered it important to maintain development assistance to the YAR. We believe the requested level of $28 million in development assistance is appropriate in terms of the programs we have undertaken in the YAR, and modest in relation to U.S. interests.

In May 1982, the YAR and South Yemen agreed to measures designed to stabilize their relations and to end the armed insurgency in North Yemen. While largely holding to the terms of this agreement, and demonstrating other evidence of moderating its international behavior, South Yemen must continue to be considered a real threat to North Yemen and other bordering states. We are encouraged by recent trends, but believe that South Yemen has still some distance to go to establish clearly that it now desires to live cooperatively in peace and friendship with its neighbors.

Saudi Arabia provides substantial development, budgetary, and security assistance to North Yemen through a number of channels. This assistance has amounted to several hundred million dollars annually, making Saudi Arabia the largest single provider of assistance to the YAR.

Question 29. How would the proposed $45 million in FMS be used?

Answer. No firm decisions have been made, but we expect that the Omanis might use fiscal year 1984 funds to purchase additional transport aircraft, Sidewinder missiles, and/or improved TOW missiles.

Question 30. Is Oman still supportive of military cooperation with the United States? There have been periodic reports of some difference of view with the British who traditionally have played a major role in providing military assistance to Oman. What are we doing to minimize friction and enhance cooperation?

Answer. Oman is very much supportive of military cooperation with the United States. A recent mission to Oman led by Director of Politico-Military Affairs Howe revealed agreement on a wide range of issues regarding the implementation of the access agreement. The Omanis are committed to the agreement and we expect will give excellent cooperation to our efforts to improve our military posture in Southwest Asia.

Question 31. On the West Bank, are there still problems between some of the PVO's and the Israeli Government? If so, what are we doing to resolve them?

Answer. While the PVO relationship with the Government of Israel has been at times a rocky one, there have been substantial improvements this year in terms of the rate of approval of new projects. The U.S.G. continues to monitor the situation very closely. When an individual PVO encounters difficulties, it is our practice to urge that, in the first instance, the PVO make every reasonable effort to resolve the problem with the Israeli authorities. This approach is generally preferred by the PVOs and has usually been effective. We are prepared to intervene again when situations arise which make achievement of the purposes of the overall program difficult.

Question 32. We are entering the second year in our new 6 year security assistance relationship with Pakistan. Based on our first year's experience, can you tell us (1) what is the extent of progress in United States-Pakistani strategic cooperation during this past year?

Answer. Our reinvigorated security relationship with Pakistan is based on Pakistan's strategic location in a region which has undergone several decades of turmoil and upheaval. A stable and secure Pakistan can serve as an anchor for the entire region and enhance the prospects for regional peace and stability.

The proximate cause of our security assistance program is the threat to Pakistan's security posed by the presence of over 100,000 Soviet troops in Afghanistan. In order to allow the Government of Pakistan to maintain its courageous stance against the Soviet invasion of Afghanistan and to continue to provide shelter to the over 2.8 million Afghans who have fled the fighting in their country, it was crucial that Pakistan's security requirements be met.

In the past year, we have continued to work closely with the Government of Pakistan to keep international attention focussed on the Afghan crisis. The Pakistanis have led efforts in several international forums to accomplish that goal, as well as participate in the search for a peaceful resolution of the crisis. We support Pakistan's efforts in both of these areas.

The past year has also witnessed a number of ship visits to the port of Karachi by U.S. naval vessels and a number of senior level military contacts between the two countries.

Our discussions with President Zia during his visit to the United States in December have underlined the substantial agreement which exists between the two countries on matters of strategic significance. We believe that, as our relationship matures, and the Pakistanis gain confidence in the durability of their ties to the United States, the scope for enhanced strategic cooperation will expand.

Question 33. How do you judge the prospects for a Pakistani nuclear detonation?

Answer. We do not expect Pakistan to attempt a test of a nuclear explosive in the near future. An important objective of our non-proliferation policy is to ensure that no decision to pursue such an action is taken in the future. We believe that a program of support which provides Pakistan with a continuing relationship with a significant security partner and enhances its sense of security may help remove the principal underlying incentive for the acquisition of a nuclear weapons capability. With such a relationship in place we are hopeful that we will be able over time to persuade Pakistan that the pursuit of a nuclear weapons capability is neither necessary to its security nor in its broader interests.

Question 34. Can you assure this Committee that prior to any notification of intent to sell, provide or upgrade sensitive military equipment to Pakistan, that Congress will be consulted?

Answer. For any proposed sale to Pakistan for which we would be required to notify Congress under Section 36(b), we will continue to make a good faith effort to provide an informal written notice to the Committee staff, as we have done in the past, at least 20 calendar days prior to submitting any formal notification under Section 36(b). Although not required by law, this informal notice will help to ensure that the Congress has adequate time to review proposed major arms sales to Pakistan.

Question 35. The fiscal year 1984 request includes $525 million for Pakistan. How do we justify this huge aid level?

Answer. Pakistan, located at the crossroads of South, West, and Central Asia, is strategically placed within a region of critical importance to the United States. The stability and security of Pakistan contribute importantly to meeting U.S. objectives in South and Southwest Asia. A stable Pakistan, one of the world's largest Islamic states, can serve as an anchor for the entire region, lending its considerable weight and influence to the cause of regional peace and harmony. Conversely, an unstable, insecure Pakistan adds to regional tensions and invites outside interference.

As a result of the direct threat to Pakistan's security posed by the presence of over 100,000 Soviet troops in Afghanistan, the Reagan Administration, in close consultation with Congress, developed a 6-year, $3.2 billion program of economic and security assistance for Pakistan. The fiscal year 1984 aid request for Pakistan is fully consistent with the program which was discussed with the Congress in 1981.

Our assistance program, which both bolsters Pakistan's security and symbolizes the firm U.S. support for this frontline nation, has been a vital element in making it possible for Pakistan to adopt and maintain its courageous posture on the Soviet invasion of Afghanistan despite Soviet pressures. The program is designed to contribute to Pakistan's stability in two ways. First, through the modernization of the Pakistani military, a professionally competent but poorly-equipped organization, we will assist Pakistan to provide for its own defense needs. Secondly, Pakistan's requirement for quick disbursing balance of payments and project aid is being met through our ESF program.

Our assistance program is also designed to meet additional goals in our relationship with Pakistan. We believe that a program of support which provides Pakistan with a continuing relationship with a significant security partner and enhances its sense of security may help remove the principal underlying incentive for the acquisition of a nuclear weapons capability. In addition, our program of economic assistance also supports the Pakistan Government's efforts to suppress opium poppy production.

Question 36. What formal, explicit instructions have been conveyed to the Pakistan Government concerning their nuclear development program?

Answer. We have made our concerns about certain aspects of Pakistan's nuclear program very clear to President Zia on a number of occasions, most recently during his visit to Washington in December. The Government of Pakistan is certainly aware of both U.S. law and policy regarding nuclear explosive detonations of any kind, and of the importance this Administration attaches to adherence to international safeguards obligations. In addition, the Pakistanis, as well as nuclear exporting countries, understand that it is U.S. policy to promote the requirement of full scope safeguards as a condition of all significant new supply commitments. This point is relevant to Pakistan since it is currently seeking to purchase a nuclear power reactor and not all of its nuclear facilities are subject to IAEA safeguards.

Question 37. Were any economic factors involved in the recent massacres of Bengalis in the Assam region? Is any American assistance going to that state?

Answer. The prinicpal economic factor involved in the recent violence in Assam is a long-standing one: Over a period of many decades there has been a steady migration of people from adjacent high population density areas (principally Bangladesh) into relatively under-populated Assam. In many cases, the immigrants have settled on previously untilled land and have made it productive. In other circumstances, the immigrants have cultivated remote lands not clearly owned by Assamese and tribal groups living in the area but traditionally claimed by both. Thus the "foriegners" in the eyes of ethnic Assamese not only pose a threat to the distinct cultural and linguistic identity of their state, but allegedly have deprived Assamese of land and jobs.

It should be noted also that, although not a direct issue in the dispute between the Assamese and the immigrants, the flow of oil from Assam has occasionally been disrupted. Assamese oil accounts for about one-third of India's domestic consumption.

No U.S. aid is involved in Assam.

Question 38. According to recent press reports, India is processing enough plutonium to build at least 20 nuclear bombs a year if they decided to do so. The Indians are reported to have denied this. What is your assessment? If the reports are true, should we reassess the proposed $88 million in development assistance for India?

Answer. The Indians steadfastly maintain that their nuclear program is for peaceful purposes only, and reject recent U.S. press reports that the plutonium currently being separated at the Tarapur Reprocessing Plant from Rajastan Atomic Power Plant (RAPP) spent fuel is being stockpiled for nuclear weapons use. We would note that the spent fuel from the RAPP reactors and hence the separated plutonium are under IAEA safeguards and therefore not available for nuclear explosives use. We would further note that India has a fast breeder reactor program in which the GOI may intend to use the separated plutonium. If this is the case, India's fast-breeder program would be brought under IAEA safeguards.

Question 39. How strong is General Ershad's position following recent student riots?

Answer. Clashes between students and police on February 14 constituted the most significant political challenge yet encountered by the Martial Law Administration and demonstrated the tenuous nature of the current political situation in Bangladesh. On February 18, after restoring civil order, General Ershad made a moderate address to the country, calling for "national reconciliation" and announcing that his government would open this month a "dialogue" with political leaders, including those of opposition parties such as the Awami League. Many observers interpret this conciliatory approach as an indication that Ershad wishes to allay political tensions to move toward his previously stated aim of holding local elections later this year and national elections in 1984.

Question 40. What would be the impact of the repatriation of most of the Bangladeshis from Assam?

Answer. The "repatriation" of large numbers of Bengali Moslems from Assam to Bangladesh is an extremely remote possibility over the foreseeable future. Furthermore, one should point out that Bengali Moslems have migrated from both East and West Bengal to Assam over several decades, i.e., from well before the independence of Bangladesh in 1971, and should not therefore be uniformly designated as "Bangladeshis," a term which implies that they are citizens of Bangladesh. If in the unlikely event that a "repatriation" en masse of Bengali Moslems from Assam to Bangladesh were to occur, the resulting economic, humanitarian, and political consequences would be dramatic.

Question 41. The latest issue of Newsweek Magazine says Saudi Arabia is showing more interest in buying the new M-1 tank and the United States is likely to provide demonstrations soon.

Would the Defense Department demonstrate the tanks if it wasn't inclined to try to sell them? What are we doing to ensure the Saudis don't later interpret a demonstration as a commitment to sell as was asserted in the case of the AWACS?

Saudi Arabia already has in inventory or on order hundreds of tanks. Iraq is tied up with the Iranian conflict and would have trouble launching a credible tank threat across the vast distances to key Saudi points. South Yemen would have difficulty mounting a major attack on key Saudi facilities. Why would Saudi Arabia really need such a hard-to-maintain tank as the M-1?

Answer. The Administration approved a demonstration of the M-1 tank and the M-2/3 infantry fighting vehicles in Saudi Arabia this summer. This equipment had

earlier been demonstrated to the Saudis in the United States. After the demonstration the Saudi Government will decide whether it wishes to request to buy the tank. We will address the Saudi request when we receive it.

The Saudi tank inventory currently includes US M-60A1 and French AMX-30 tanks. Saudi Arabia presumably will wish to begin replacing some of these in the late 1980's. At that time the M-1 will be the only tank produced in the United States. We believe that demonstrations this summer will assist the Saudis to begin now rational planning to meet their armor needs later in this decade.

Question 42. What other new U.S. arms have been approved for sale to the Mideast? Ground-to-ground missiles? The new Stinger shoulder-launched anti-aircraft missiles? Multiple Launch Rocket Systems? Any others?

Answer. We are very concerned to keep the Congress fully informed on arms sales developments in the Mideast region and Congress is notified of all new sales proposals before an approval and formal offer of any new item is provided to the requesting country.

The Department is presently in the final stage of preparing its annual notification to the Senate Foreign Relations Committee of all known arms sales requests and proposals which may lead to the issuance of a letter of offer during 1983 pursuant to Section 25(a)(1) of the Arms Export Control Act. This comprehensive list will provide the Committee information currently available on prospective arms sales.

Question 43. Are the potential additional U.S. arms sales and the new Soviet supplies to Arab countries going to require Israeli counter-measures, such as additional weapons and/or electronic equipment?

How do you reconcile them with the assertions that the Fez conference and Fahd plans should be regarded as implicit recognition of Israel's right to exist?

Have these new Soviet arms deliveries and the potential new U.S. sales been factored into the Administration's proposed FMS assistance to Israel?

Answer. Our regional arms sales decisions are made in full cognizance of the potential impact of these sales on Israeli security, including funding levels required to cover possible countermeasures. U.S. arms sales decisions take into account a broad spectrum of regional defense requirements in addition to the security of Israel. All potential U.S. arms sales are given careful review at the policy level to ensure that they meet legitimate defensive requirements.

We have traditionally sought clear recognition of Israel's right to exist from all other states in the region. We view this, however, as an issue separate from the security needs of our friends in the area. Their confidence in our willingness to help out those needs is of great importance in realizing our own long-termed regional goals.

Our proposals for FMS assistance to Israel always fully take into account the regional military balance, particularly Soviet moves in the area, other regional threats and our objective of ensuring that Israel maintains its technological edge over any potential adversaries. Israel alone accounts for almost 40 percent of the fiscal year 1984 foreign assistance requirement for the NEA region.

Question 44. The Committee just received a formal notification of a $49 million contract to Saudi Arabia for supporting the expansion of its Navy.

What is the value of U.S. military sales and services to Saudi Arabia since the 1981 AWACS sale?

Are the Saudis still spending more money on military defense than any country in Western Europe except Great Britain, as estimated last year by the Institute of Strategic Studies in London?

Answer. In fiscal year 1982, we signed with the Saudis a total of $7.4 billion in Letters of Offer and Acceptance (LOA's), of which $3.4 billion pertained to the air defense enhancement package, and the remaining $4.0 billion to other items, including construction, ammunition, spares, training, etc. In fiscal year 1983 through 3 March we have signed LOA's totalling $1.687 billion.

The IISS defense spending figures to which you refer showed, I believe, $28.7 billion for Great Britain, $27.2 for Saudi Arabia, $26 for France and $25 for West Germany. However the Saudi figure is the 1982/83 budget figure, while the European figures are for calendar year 1981, except for the British figure which was for 1981/82. The Saudi figure, as noted in the answer to question 26 above, is much inflated by expenditures not normally considered military. Furthermore, a large component of the remaining expenditures goes for construction of basic military infrastructure which was built up over many years in Europe but was almost nonexistent a few years ago in Saudi Arabia. A relatively small portion of the total is for actual weapons systems.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR BIDEN

Question 1. Mr. Secretary. You apparently do not think there should be a strict linkage between the $3.2 billion assistance program to Pakistan and that government's performance on narcotics control issues. Do you believe that there should be any sort of linkage and, if so, what sort?

Answer. Our assistance program to Pakistan should be linked to the narcotics problem there, and present policy reflects this linkage. Our policy, however, recognizes that while narcotics control is a major U.S. interest, it is one among other major interests—including regional and global security—that we are attempting to advance by means of our assistance agreement with Pakistan. Mindful of the very high priority we assign to the narcotics issue, we are committing an increasing amount of U.S. economic assistance to encouarge narcotics control by the Pakistan Government.

The United States has two kinds of development assistance projects in Pakistan linked to the narcotics problem. There are narcotics-specific development projects, funded by the State Department's Bureau for International Narcotics Matters, directly linked to agreements with Pakistan on enforcement of the opium growing ban. These projects are located chiefly in the Malakand Division of the Northwest Frontier Province (NWFP). The fiscal year 1983 budget for these projects is $2 million. Our proposed fiscal year 1984 budget is $2.15 million. These projects are designed expressly to provide an economic alternative to opium production in areas where it is now grown and to assist the Pakistani drug enforcement program. Funds obligated during fiscal year 1982 for these projects amounted to $1.350 million. Against this, disbursements in fiscal year 1983 for the new Malakand Agency Project include: rural electrification ($150,000); road improvement ($750,000); tube wells ($20,000); and a fruit nursery ($100,000).

There is also the overall AID development program which is being used both as an incentive to the Government of Pakistan on enforcement and to provide social and economic disincentives to poppy cultivation. Pakistan's Minister of Finance has given a commitment that AID funds "will in no manner, directly or indirectly, be allowed to abet opium poppy cultivation, opium distribution or processing of opium into heroin."

Specific AID actions in conformance with the purpose of Section 126 of the Foreign Assistance Act (Gilman Amendment) include:

Authorization in fiscal year 1982 of a $15 million rural development project in the Tribal Areas of the North West Frontier Province (NWFP).

The design in fiscal year 1983 of a $20 million area development project in another major poppy-growing area of the NWFP (probably in the Gadoon).

The inclusion of so-called "poppy clauses" in most of AID's new country-wide rural development, agriculture, irrigation, rural electrification, and energy projects. The language of the clauses directs that no assistance will go to areas in which poppies are being grown or processed into heroin or morphine and that our assistance will be withdrawn on any project where it is not honored.

Close collaboration with INM in the design and implementation of INM's rural development project in the Malakand Agency.

The establishment of a full-time U.S. narcotics project management officer on the staff of USAID Islamabad. His function is to assure that—to the maximum extent—all of AID's 20 on-going or planned development projects contribute to the overall narcotics reduction effort.

Question 2. A very senior official in our Embassy in Islamabad has told staff members that if the United States becomes too insistent with the Government of Pakistan to do more in the area of narcotics control, Pakistan might terminate the assistance agreement because they see it as already greatly in the U.S. interest and therefore do not feel any obligation to provide additional forms of "recompense."

Do you feel that this is a very likely response on the part of Pakistan or any other recipient of such sizable assistance?

What avenues for enhanced narcotics control in Pakistan do you think this assistance does open?

Answer. We do not believe that Pakistan would terminate our assistance agreement because the United States insists that the Government of Pakistan do more in the area of narcotics control.

Our assistance programs offer several avenues to improve narcotics control in Pakistan. First, by renewing our security relationship with Pakistan in 1981, we restored the basis for closer cooperation with Pakistan across the whole range of our foreign policy concerns, narcotics control as well as our security interests in the

South Asian region and other important global problems. Second, our economic assistance program provides an incentive to the Government of Pakistan to improve its enforcement efforts in the narcotics area. Third, the programs themselves provide both social and economic disincentives to poppy cultivation. Fourth, the assistance program is linked directly to commitments by the Government of Pakistan to control poppy cultivation, opium distribution and processing of opium into heroin. Without our assistance program, these various avenues to more effective narcotics control would not be open to us.

Question 3. What considerations do you feel dictate against spending more of the ESF funds for Pakistan in fiscal year 1984 on programs in opiate active areas?

Answer. We do not believe that spending more or extending larger amounts of development assistance to those areas where opium is cultivated and processed into heroin in Pakistan will, by itself, enhance narcotics control. We believe that a successful narcotics reduction program requires a mix of actions on two major fronts: enforcement and development. Enforcement—which involves legal and police actions—can produce important short term results. But meaningful progress on the development front—which is the area in which AID is primarily engaged—is a longer-term proposition. Pakistan has said, however, that it is prepared to enforce the ban against poppy production before the benefits of economic assistance are in place. Thus, we have the prospect in Pakistan of linking economic development projects to rather immediate crop control and, incrementally, with other donors' assistance, support Pakistan in eliminating opium production in its merged areas. But the merged areas are considered politically sensitive. The rate of narcotics related assistance therefore must be paced with the feasible rate at which the government can extend its control as well as a realistic rate of economic change. We believe the current rate of assistance is proper.

AID's Area Development project (currently being designed with a Life of Project funding of $20 million) will be located in one of the largest poppy growing areas of the NWFP, probably Gadoon. It will include a mix of agricultural (e.g. crop substitutions) and rural development activities.

When the results of the State Department's Malakand Agency project and the proposed AID project are known and evaluated, in terms of economic progress and increased effectiveness of enforcement of the opium poppy ban, AID will be able to determine what additional narcotics-related assistance, if any, is appropriate.

Question 4. The flow of morphine base and heroin from Pakistan to Europe and then on to the United States through the Middle East is a major problem for this country.

Are you aware of any steps, diplomatic or other, which the United States could take but is not currently taking in any country in this region which would hold promise of restricting this flow?

Answer. The Department of State is already undertaking a broad effort, multilateral as well as bilateral, to induce other governments to take more effective action against narcotics production and trafficking. Assistance Secretary Di Carlo has consistently encouraged a number of European and other donor governments to increase their efforts to interdict narcotics shipments to and through their countries and to raise the priority of the narcotics issue on their foreign policy agenda. Specially we have encouraged them to increase the level of their economic assistance, to upgrade the priority assigned to narcotics control by their foreign ministries, and to raise the narcotics problem with third countries in bilateral talks and also in the multilateral fora.

AID's Responses to Additional Questions Submitted by Senator Biden

Question 1. Does AID believe that there is any empirical connection among economic development, developmental assistance, and narcotics control?

Answer. AID does not believe that economic assistance alone can produce effective narcotics control. In the case of Pakistan, AID's development activities are just one part of a larger effort by the Government of Pakistan (GOP) and several other U.S. Government agencies to halt the flow of illicit drugs from Pakistan to the United States.

In recent months there have been encouraging signs of progress being made on the enforcement side of the problem, with effective legal and police action by appropriate Pakistani federal and provincial organizations. These actions, which include enforcement of the GOP's ban on poppy cultivation and the arrest of heroin producers and smugglers, reflect the necessary short-term response to the problem.

Progress on the development side is a longer-term proposition. But we believe that our development activities will, in time, make a meaningful contribution to the total narcotics control effort in Pakistan.

Question 2. Section 126 of the Foreign Assistance Act instructs AID "to give priority consideration to programs which would help reduce illicit narcotics cultivation by stimulating broader development opportunities."

In regard to Pakistan how has AID gone about its requirement to give priority consideration to programs which would help reduce illicit narcotics cultivation?

Answer. In response to Section 126 of the Foreign Assistance Act (the Gilman Amendment), AID is giving priority attention to efforts aimed at narcotics reduction. AID is using its overall aid package as leverage to encourage the GOP to enforce its legislation banning the cultivation, possession, sale and use of opium poppies.

AID is providing—or plans to provide—a significant portion of its new assistance in the poppy-growing areas of the country, in order to develop viable economic alternatives for those Pakistanis currently engaged in illicit narcotics cultivation and production. Two AID projects are designed to directly impact on the poppy-growing regions of the country.

The Tribal Areas project (with a Life of Project Funding of $15 million) involves the development of water resources, road construction, and other rural development activities. It was authorized in fiscal year 1982 and is currently in the early stages of implementation. The Area Development project which is currently being designed to impact on a major poppy-growing area of the Northwest Frontier Province (probably the Gadoon) will also include a mix of rural development activities. It will be authorized later this fiscal year with a Life of Project Funding of $20 million.

Other AID narcotics related actions include:

The inclusion of so-called "poppy clauses" in most of the other country-wide rural development, agriculture, irrigation, rural electrification, and energy projects;

A written commitment from the GOP that none of AID's assistance will be used in any way that might contribute to illicit narcotics production;

Close collaboration with the Department of State's International Narcotics Matters staff in the design and implementation of its rural development project in the Malakand Agency of the NWFP; and

The establishment of a full-time U.S. narcotics project management officer on the staff of USAID/Islamabad. His function is to assure that—to the maximum extent possible—the entire U.S. project portfolio contributes to the narcotics reduction effort. He also represents AID on the U.S. Embassy's Narcotics Coordinating Committee in Islamabad.

Question 3. In terms of fundamental U.S. self interests, what other concerns should receive more "priority consideration" in the planning of AID programs in Pakistan than narcotics control and how are they related to U.S. interests?

Answer. The overall U.S. interest which AID assistance to Pakistan supports is to bolster Pakistan in its role as a "front line" state, and to strengthen Pakistan's capacity to withstand pressures from the Soviet invasion of Afghanistan. The overall objectives of AID's assistance are to provide Pakistan with urgently needed short-term balance of payments support, and to stimulate the country's long-term economic and social development.

AID gives "priority consideration" to projects which will contribute to these overall objectives by increasing agricultural production, raising rural incomes, improving rural health services, reducing Pakistan's population growth rate, increasing energy production and expanding the role of the private sector. At the same time, AID recognizes its responsibilities under Section 126 of the Foreign Assistance Act, and gives special consideration to narcotics reduction (as described in our response to the question above).

It should be noted that one of the Government of Pakistan's highest priorities is the economic and social development of its two poorest provinces, the Northwest Frontier Province and Baluchistan. AID's narcotics related activities are in those two provinces, so they contribute to both United States and Pakistani priorities.

Question 4. In terms of Pakistan, how has AID gone about fulfilling its responsibilities under the Inter-Agency Agreement for the Sharing of Information Concerning the Narcotics Producing Regions of the World? What specific sorts of information has AID provided? What specific sorts of information has AID been asked to provide?

Answer. The recently revised Interagency Agreement for the Sharing of Information Concerning the Narcotics Producing Regions of the World has been a useful tool in exchanging information. AID has supplied various economic analyses to

State/INM, the lead Agency charged with fulfilling the President's international strategy to reduce illicit narcotics.

INM publishes an annual narcotics report, with information on narcotics production in various countries, as well as related actions by U.S. Government agencies. Under the Agreement, AID has requested and received a significant volume of information pertaining to all aspects of narcotics production, manufacturing and trafficking, and this material has been utilized in country briefings, as part of AID's budget and programming reviews, and in structuring AID development programs that respond to Section 126 of the FAA.

Question 5. Although the introductory language of AID's 5 August 1982 Policy Determination on Narcotics says that "it is AID's policy to seek out opportunities to design projects that provide economic alternatives to farmers in narcotics growing areas", the enumerated "elements" of AID's policy on narcotics in that document include only the much weaker prescription that AID missions should monitor other agencies' income substitution programs "to assure that positive results are taken into consideration . . . as appropriate, in AID programs and projects."

Which of these prescriptions is AID's policy in regard to narcotics and how specifically does it govern AID's activities?

Given the apparent paucity of AID programs in Pakistan in areas that are currently growing poppies (and not just potentially such areas and, therefore, covered by poppy clauses) should we deduce that, priority consideration having been given to programs which would help reduce illicit narcotics cultivation, a deliberate decision was made not to fund more AID programs in poppy growing areas? Why?

Answer. Both statements accurately reflect current AID policy. As discussed in our response to question 2:

AID is closely monitoring progress on the Malakand Agency project being funded and managed by the State Department's International Narcotics Matters staff in Pakistan.

AID projects (e.g. the new Area Development project) will impact on major poppy-growing areas of the country.

Question 6. Please elaborate on the narcotics control program in Bara.

Answer. This question presumably refers to the Bara area of the Khyber Agency of the Northwest Frontier Province. It is the area covered by AID's Tribal Areas project, mentioned in response to question 2.

The major components of the Tribal Areas project are:

(1) Water resources development, including: construction and extension of the Bara Irrigation Scheme; construction of up to four additional small irrigation schemes; the drilling of approximately 20 new tubewells; and technical assistance in water resources and agricultural land management;

(2) Rural roads construction: up to 125.6 kilometers of new gravel roads; and

(3) Other self-help development activities, including a potential mix of school and health facilities construction; flood control; additional roads; and rural electrification.

Question 7. Apparently, if the current INM project in Malakand Agency proves successful, AID will replicate it in an expanded form and in other areas.

What is the specific timetable and mechanism for evaluating the Malakand Agency project and when will AID make its decision?

Answer. Several AID documents prepared over a year ago refer to AID's intention to "replicate" INM's Malakand Agency project, when and if that project proved successful. Since that time, AID has considerably expanded its own narcotics reduction activities without waiting to see how the INM project evolves.

As mentioned in our response to Question No. 2, this includes the on-going design of a new Area Development project. It will be in either the Gadoon area, or one of the other major poppy-growing areas of the Northwest Frontier Province.

Question 8. Does AID see any difference between Pakistani poppy growing areas and heroin refining ones? Do the latter present any economic development sorts of questions?

Answer. The poppy-growing and heroin production areas of Pakistan are scattered throughout the Northwest Frontier Province (and to a minor extent, nothern Baluchistan). Generally, the largest areas of poppy cultivation are in the merged areas, while the heroin laboratories—which are small and highly mobile—are in the Tribal Areas.

AID believes that while poppy cultivation can be addressed in development terms, illicit heroin production is primarily a matter of enforcement actions by the Government of Pakistan (with the assistance of U.S. Government Agencies other than AID).

[Whereupon, at 4:15 p.m., the subcommittee adjourned, subject to call the Chair.]

APPENDIX

PREPARED STATEMENT OF FRANCES E. NEELY, FRIENDS COMMITTEE ON NATIONAL LEGISLATION, WASHINGTON, D.C.

I am Frances Neely, Legislative Secretary, Friends Committee on National Legislation. We appreciate the opportunity to appear before you because your actions affect two of our major concerns: the well-being of millions of children and the effectiveness of multinational peacekeeping and peacemaking. These issues are important to all Friends, although, as you know, FCNL does not attempt to speak for every member of the Society of Friends.

Historically, the Friends Committee has supported U.S. development programs that benefit the poorer inhabitants of the poorer nations. We have endorsed U.S. contributions to multilateral programs, such as the UNDP, UNICEF, IDA and the soft loan windows of the international banks. We have opposed grants and sales of U.S. arms to any nation, as well as construction of bases or stationing of U.S. armed personnel on foreign soil.

We have recommended that the Economic Support Fund be eliminated and ESF projects that meet criteria for economic development activities be transferred to the appropriate categories of agriculture and rural development, population and health, education and human resources, etc. We have suggested that countries needing budgetary support be referred to the International Monetary Fund.

I bring you that same message today, but I will concentrate on foreign aid requests for Israel and Lebanon, because U.S. aid to those nations affects so immediately the lives and psychological health of children, as well as the effectiveness of multinational peacekeeping and peacemaking institutions.

EFFECT ON CHILDREN

We support any components of the proposals before you that will help the children of Lebanon and the occupied territories regain or maintain their physical or emotional health. We oppose all military assistance to either Israel or Lebanon as a threat to the well-being of children.

In Lebanon

U.S. military aid to Israel has had a devastating effect on the children of Lebanon. Children under 15 constitute about 39 percent of the population. Last June, the UNICEF director in Beirut estimated that there were nearly 460,000 children in West Beirut and the suburbs alone. The Israeli sweep through southern Lebanon and its 9-week seige of Beirut uprooted and terrorized thousands of children. The dead can be counted, but the psychological damage to survivors is harder to measure and difficult to heal.

The invasion brought with it the break-up of families and the disruption of services and other institutions that help children grow.

The break-up of families.—Last summer UNRWA appealed to Palestinian mothers to be more sensitive to signs of illness among their younger children. According to Agency staff, many mothers were so traumatized by the invasion and the loss or disappearance of husbands and older sons that they were unable to care adequately for the health of their families.

Over 5,000 Palestinian and Lebanese males are still imprisoned at the Israeli Ansar camp. These prisoners are being held without charges. Releases are approved sporadically, and rumors of prisoner exchanges remain just that—rumors. Family visits are prohibited. Messages may be exchanged, but some prisoners hesitate to use this channel for fear of drawing attention to the location of their families. The

families themselves suffer emotional and economic deprivation from the loss of husbands, fathers and breadwinners.[1]

Life is also precarious for the wives and children left behind when the Palestinian fighters were forced to leave Beirut for other lands. Some of the dependents of the deportees may have died at Sabra and Shatila.

The breakdown of institutions.—The Israelis are still holding many highly-skilled Palestinians who would normally be assisting in the training or development of the young. These include social workers, teachers and medical practitioners. The Palestinian medical system, including clinics and hospitals, has been almost destroyed by Israeli gunfire and imprisonment or harassment of personnel. According to one U.S. official, it will be almost impossible to restore the level of care provided by the Palestine Red Crescent and UNRWA.

Nearly 70 Palestinian employees of UNRWA remain in Israeli hands. Most of these detainees are teachers. Almost all of UNRWA's schools have reopened, but schooling is circumscribed. In Sidon, Palestinian schools operate on triple shifts, and classes are held in large tents.

The on-going terror.—A new campaign of terror seems to be developing in southern Lebanon, and fears of additional massacres run deep. The terrorists seem to be from various "Christian" factions, and their hatred is directed against Shiite Muslims as well as Palestinians. People have been injured, mutilated and killed, and families intimidated into leaving their homes. The potential for intimidation in the Sidon area is enormous, according to UNRWA officials. The Secretary General of the United Nations has expressed deep concern and is studying possible U.N. action. The Commissioner General of UNRWA and the ICRC have demanded that Israel, as the occupying power, fulfill its responsibility to ensure the safety of the civilian population.

The ICRC reported, on February 24, that:

"During the past 2 weeks, the fate of the Palestinian population in southern Lebanon became a matter of deep concern. ICRC's delegation in Lebanon directed most of its energies to this problem and also immediately strengthened its representations to remind the occupying power of its obligations under international law, i.e., the fourth Geneva Convention and the Hague Convention of 1907."

The climate of hostility has been fed by the Israeli Government's decision to arm various Lebanese factions, regardless of consequences for the civilian population. The Israeli Commission appointed to assess responsibility for the Sabra and Shatila massacres reported that:

"In our view, everyone who had anything to do with events in Lebanon should have felt apprehension about a massacre in the camps if armed Phalangist forces were to be moved into them without the IDF exercising concrete and effective supervision and scrutiny of them . . . all those concerned [Israelis] were well aware that combat morality among the various combatant groups in Lebanon differs from the norm in the IDF, that the combatants in Lebanon belittle value of human life far beyond what is necessary and accepted in wars between civilized peoples, and that various atrocities against the noncombatant population had been widespread in Lebanon since 1975."

Yet despite this assessment, the Israelis armed the Phalange, maintained "constant contact" with Phalangists, chose them to comb the refugee camps for "terrorists", because the Israeli military could give the Phalangists "orders whereas it was impossible to give the Lebanese army orders" (*New York Times,* 2/9/83). Israel continues to supply the Phalange with arms, although the Phalange charges that Israel is also helping their enemy, the Druse (*New York Times,* 2/16/83). After failing to co-opt the Shiites in southern Lebanon, Israel has tried to divide them into uncoordinated village militias linked with Haddad, another discredited competitor for power in Lebanon. Israel also trains and supports the Haddad militia.

All of these actions have incredible ramifications for the well-being of children. Of course, Israel is not the only outside power operating in Lebanon and supplying Leb-

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[1] As of the end of 1982, the Israeli Government had not made public a full or partial list of names of the detainees, had not permitted relatives access to the detainees, and, while granting the Red Cross access to most of the prisoners, apparently maintained some of them incommunicado and unaccounted for. Because of the lack of charges, access, or, in some cases, information as to whether or where specific persons are being detained, legal recourse for the detainees was extremely limited; however, various cases were filed in the Israeli judicial system on behalf of some of the prisoners, demanding that the Government set forth the legal basis for holding them. As of the end of 1982, no decisions had been announced in those cases. At year end, the number of prisoners captured in Lebanon and still held by Israel, aside from about 300 Syrian POWs, was probably in the neighborhood of 5,400, with approximately 5,300 held in Ansar prison camp."—Country Reports on Human Rights, Department of State, February 1983.

anese factions to a degree that hurts the young. I have concentrated on Israeli actions because, over the years, the United States has provided Israel with billions of dollars in military and financial aid. It would be only natural for Israelis to assume that we wouldn't provide them with that much of our substance unless we approve of what they do. Since you have oversight of the level and distribution of U.S. aid funds, you have a tremendous responsibility to set standards as to what is and is not acceptable conduct by aid recipients.

Last year, the Israelis, like the Phalangists at Sabra and Shatila, might well have believed that their mentor, in this case the United States, had given them carte blanche to move into Lebanon and clear out the "terrorists", regardless of consequences to women and children. If you continue military aid to Israel, you will reaffirm that belief.

If you continue military aid to Israel, you will also be acquiescing in the arming and/or rearming of factions within Lebanon. If these factions share with Sharon a "lack of moral brakes" as one Israeli has suggested, it may be because other nations—Israel, Syria and Libya—have plied the Lebanese with weapons and used them as proxies to attain foreign goals. The United States, as weapons supplier to the Israeli player, shares blame for the moral degradation involved. We urge you to assert your strong objection to such practices by ending military aid to Israel.

In the occupied territories of the West Bank and Gaza

The impact of this occupation also rests heavily on children, their schooling, their freedom of movement, their freedom of speech and, in some instances, their right to survive. It is only in the past few months that we Americans have become aware of the techniques employed in the West Bank during last spring's disturbances—techniques that were set forth in two documents issued by Israeli Chief of Staff Eitan. General Eitan, as you will recall, was charged in the Sabra-Shatila report with a breach of duty for neither forseeing nor attempting to halt the "slaughter" in the camps. Israeli policy in the occupied territories, according to Eitan, should include punishment of parents of students who participate in demonstrations, expulsion from the territories, economic punishment of whole villages, etc. (see attachments). Here, too, the United States, through its military and financial aid may have led the Israeli Government to believe that we don't care how Israel treats the people over whom it holds the power of life and death.

U.S. military aid to Lebanon

We oppose the $101 million supplemental request to help expand and equip the military forces of the Lebanese Government. Although the goal is admirable—to stabilize Lebanese society—the danger of triggering additional violence is too great. Stability might be achieved more quickly and with less pain by turning all of Lebanon into a demilitarized zone.

We urge you and the Exeuctive Branch to join together in asking the U.N. to expand its peacekeeping forces in Lebanon, to assign them to stations throughout the country and to supplement their policing capability with the addition of special mediation and conciliation teams. The U.N. peacekeeping forces could oversee the disarming of all militia, including the Phalange, and the conciliation teams could help the Lebanese and Palestinian people move away from horror and back to community.

The Lebanese Government has already requested that UNIFIL be deployed throughout Lebanon as soon as all non-Lebanese forces are withdrawn. The Lebanese want UNIFIL to confirm the withdrawal of all foreign forces, restore international peace and assist the Lebanese army in extending governmental authority throughout Lebanon.

If Lebanon were to become a demilitarized zone, UNIFIL could do all the things the Lebanese Government suggests to guarantee Lebanon's external security, but it would work with the Lebanese police instead of an army to bring about internal peace.

EFFECT OF U.S. AID TO ISRAEL ON U.N. PEACEMAKING AND PEACEKEEPING

Continuation of U.S. military aid to Israel, despite Israel's unwillingness to settle disputes by peaceful means, has undercut the effectiveness and curtailed the growth of international peacekeeping and peacemaking. The lack of U.S. response to Israel's contemptuous treatment of U.N. peacekeeping forces gives the impression that the U.S. acquiesces in Israel's refusal to accept U.N. decisions. Even when the United States has endorsed U.N. efforts to control Israel's actions, we have made a

mockery of that endorsement by sending Israel arms and equipment to carry out illegal acts.

This is particularly unfortunate since the United States, as a founding member of the U.N. and a permanent member of the U.N. Security Council, has a special responsibility to help that agency "maintain international peace and security."

Furthermore, the sending of U.S. military contingents into the Middle East, largely because Israel refused to accept U.N. involvement on the Israeli-Egyptian border or in Beirut, sets a precedent for by-passing the U.N. in future peacekeeping operations. If and when there is a foreign forces withdrawal agreement, Congress may be faced with an administration request to send more troops into Lebanon. We hope you will reject that request. Please ask the Administration to return peacekeeping responsibility to the world community, where peacekeeping procedures may be nurtured and improved.

In the long run, no country, including Israel, will benefit from destroying the fragile international institutions that are trying to promote and monitor the peaceful settlement of disputes. In the long run, all nations will need such institutions to help bring about a civilized response to political problems. We urge you to reaffirm the U.S. commitment to such institutions and supplement that affirmation by discontinuing military aid to Israel.

SOME EXCERPTS FROM THE RECORD

When Israel was forced to withdraw from Lebanon after its 1978 invasion, it circumvented U.N. goals by turning the southern border area over to an Israeli ally, former Lebanese Army Major Haddad, and his militia, whom the Israelis trained and armed. The Haddad presence made it impossible for the U.N. Interim Force in Lebanon (UNIFIL) to fulfill its 1978 mandate, i.e. to confirm withdrawal of Israeli forces and to establish a demilitarized zone in southern Lebanon. Haddad's presence also facilitated the breaching of U.N. peacekeeping areas last June.

Last June, General Eitan, Chief of Staff of the Israel Defence Forces, gave the UNIFIL commander 28 minutes notice of Israel's second invasion of Lebanon.

"He indicated that there was need for the IDF to pass through or near UNIFIL positions, and he expected that UNIFIL would raise no physical difficulty to the advancing troops. General Callaghan objected to . . . and protested against this totally unacceptable course of action . . . [When] UNIFIL troops attempted to prevent the entry and advance of Israeli forces . . . tank barrels were pointed at UNIFIL soldiers . . . obstacles [placed in the way of the Israeli advance] were forcibly removed and bulldozed. At Khardala Bridge, a small Nepalese position stood its ground for 2 days, despite harassment and threats . . . their positions was partially destroyed . . .

"I regret having to report that a Norwegian soldier was killed by shrapnel on 6 June. Further, the IDF has taken prisoner 62 Lebanese army soldiers who were serving under the operational command of UNIFIL. This was protested to the IDF with the demand that they be returned to UNIFIL. Despite this, the IDF has handed over the prisoners to the de facto forces [Christian and associated militias], an action that has been most vigorously protested."—Secretary General's Report, June 11, 1982.

UNIFIL headquarters was cut off from all UNIFIL battalions and supply routes closed. UNIFIL responded by holding to its positions. UNIFIL staff attempted to assist persons evacuated from Tyre with food, water and medical supplies, according to the Secretary General's report of June 8, 1982.

"In the days immediately following the Israeli invasion . . . there were instances in which Israeli military personnel forced entry into UNIFIL installations, destroyed UNIFIL checkpoints, fired close to UNIFIL positions or blocked roads in the UNIFIL area of deployment . . . At the end of June, a new armed group, equipped and controlled by the Israeli forces appeared in parts of the UNIFIL area. These armed persons, recruited from the local population and variously referred to by the Israeli forces as 'national guard' or 'civil guard' attempt to establish checkpoints and patrol the villages. In some locations the ill-disciplined behavior of these irregulars, who are not recognized by the Lebanese Government, led to friction with the other inhabitants. With a view to protecting the civilian population, UNIFIL has taken action to contain the activities of these armed persons."—Secretary General's Report, August 13, 1982.

"On 23 November 1982, an Israeli unit forced its way into the Senegalese battalion headquarters and briefly questioned Lebanese army personnel stationed there. The following day, a similar attempt was foiled at the Irish battalion headquarters. On 16 December 1982, Israeli soldiers fired approximately 20 rounds and two illumi-

nation flares towards two Nigerian positions. On 20 December, Israeli personnel on two separate occasions fired over the heads of two members of the UNIFIL military policy who were on convoy duty . . .

"During the period under review, IDF continued the recruitment and arming of selected villagers in the UNIFIL area . . . UNIFIL has made strong representations to the Israeli authorities about the arming of such groups and the risk of incidents arising from their irresponsible behavior."—Secretary General's Report, January 1, 1983.

ADDENDUM

You may, of course, wish to consider more mundane issues as you examine the Administration's request for aid to Israel. If the Israelis are able to finance the war on Lebanon without outside assistance, as the Israeli Government has said, then why should American taxpayers continue to subsidize Israel's ongoing military establishment?

Since the Israeli social consciousness forces that government to subsidize basic living costs and to worry about an unemployment rate of about 5 percent (1981), you may find it useful to weigh the needs of America's poor against the proposed subsidy to Israel. We would applaud a decision to transfer Israel-designated-dollars to programs to meet the needs of Americans standing in bread and unemployment lines.

MIDEASTREP No. 23

PRIMO—INTRODUCTION

Alpha

During the past two weeks, the fate of the Palestinian population in southern Lebanon became a matter of deep concern. ICRC's delegation in Lebanon directed most of its energies to this problem and also immediately strenghtened its representations to remind the occupying power of its obligations under international law; i.e., the fourth Geneva Convention and the Hague Convention of 1907.

Bravo

To ensure the proper protection of the civil populations under Israeli control, ICRC delegation in both Beirut and in Tel Aviv based their renewed representations on article 27 of the fourth Geneva convention (protection of civilians in occupied territories), which stipulates that "protected persons are entitled. In all circumstances, to respect for their persons, their honour, their family rights, their religious convictions and practices, and their manners and customs. They shall at all times be humanely treated, and shall be protected especially against all acts of violence or threats thereof and against insults and public curiosity" and on article 43 of the regulations attached to the Hague Convention which states that "the authority of the legitimate power having in fact passed into the hands of the occupant, the latter shall take all measures in his power to restore, and ensure, as far as possible, public order and safety, while respecting unless absolutely prevented, the laws in force in the country".

SECUNDO—PROTECTION

Alpha—Insar

5,240 prisoners are still being detained by the Israeli authorities in Insar Camp. Since the beginning of February, 18 persons of foreign origin have been released and transferred from Insar to Beirut under ICRC auspices. They were then handed over to diplomatic representatives of host-countries. ICRC delegates continue their daily visits in order to afford protection and assistance to prisoners.

Bravo—Saida

The security of Palestinian refugees proved to be particularly worrying around Saida, where many families were forced to abandon their homes. Some of them searched for shelter in Ein El Helwe Camp. ICRC delegates continue to carry out regular visits to Palestinian camps both in Saida and in Tyre.

Charlie—Beirut

ICRC delegates pursued their efforts to gain access to persons arrested and detained by the Lebanese authorities.

Delta—PLO

Since 29 Dec, ICRC delegates have not been permitted to visit the 6 Israeli POWs detained by the PLO.

Echo—Israel

On 3 Feb, ICRC delegates visited 11 female prisoners arrested in Lebanon and held in Israel, 8 of them had been seen on previous occasions.

Foxtrot—Syria

On 11 Feb, delegates visited 3 Israeli POWs in Syrian hands according to ICRC standard criteria.

TERTIO—TRACING

During the first three weeks of February, a total of 64,338 family messages were exchanged within Lebanon and abroad and 63 new tracing requests registered.

QUARTO—MEDICAL

Alpha—Beirut

The ICRC medical co-ordinator carried out a number of surveys in the southern outskirts of Beirut, the Chouf, Aley and Baalbeck. The purpose of this mission was to reevaluate the needs in hospitals and dispensaries.

Six dispensaries were each provided with 1 dressing material unit, 1 paediatric unit and 1 dispensary unit: During the reporting period, the delegation in Beirut received a total of 712 KG of dressing material. 200 wheelchairs arrived by sea in Beirut for distribution through the LRCS according to needs. Both the dressing material and the wheelchairs were purchased by the ICRC.

Bravo—Tripoli

In Tripoli, all the dispensaries were surveyed by ICRC medical personnel and basic medical material such as paediatric and dispensary units was distributed where needed.

Charlie—Saida

On 14 Feb. the ICRC orthopaedic centre located at the Muslim orphanage in Saida opened its doors. So far, a total of 60 amputees have applied to be fitted with artificial limbs. ICRC standard medical kits were also distributed in the villages of Hasbaya, Chebaa, Rachaya and Semkanye.

Delta—Bekaa Valley

In Baalbeck, the medical team provided by the Nordic National Red Cross Societies continued to carry out its surgical work. In addition to its care of the wounded, it has undertaken a number of consultations at the government hospitals of Hermel and Baalbeck.

QUINTO—RELIEF

Alpha

Distributions have been made to about 600 families in need since 30 Jan. During this period 5,925 blankets, 614 family food parcels and 18 tons of other material (milkpowder, oil, soap) were distributed.

Bravo

By 18 Feb. 83, the total distributions amounted to 7,787 tons (out of 9,423 tons received during whole Lebanon operation). The break-down, according to geographical regions is as follows:

	Tons
Beirut	3,742.6
South Lebanon (Saida, Tyre)	2,156.7
North Lebanon (Tripoli)	770
Bekaa (Baalbeck, Ksara)	1,116.7

[From the Jerusalem Post, Jan. 16, 1983]

ANSAR EXAMINERS URGE RELEASE OF 150

Review committees at the Ansar detention camp in South Lebanon have recommended the release of 150 out of 1,100 PLO detainees whose cases they examined, according to a report on Kol Yisrael's weekly newsreel yesterday.

The committees were established under the Fourth Geneva Convention, which deals with the rights of protected civilians, and most of the report was devoted to the question of why the PLO prisoners are dealt with under that convention rather than under the Third Geneva Convention, which relates to prisoners of war.

Chief army attorney Tat Aluf Dov Shefi Said the decision is based on legal, not political, considerations. The PLO does not meet any of the conditions laid down in the Third Geneva Convention on prisoners of war, because its fighters are not menbers of a regular army of a state who wear uniforms, and carry their weapons openly.

Lea Tsemel, a Jerusalem lawyer who often represents PLO prisoners said the PLO has agreed to treat Israeli prisoners as prisoners of war, and is entitled to the same consideration. She also complained that the review committees at Ansar were established only in November, one day before the High Court of Justice heard a case dealing with the detainees.

Prof. Claude Klein, an expert on international law at the Hebrew University Law Faculty, said that both legal and political considerations are involved in Israel's decision not to consider PLO detainees prisoners of war. Both statuses (that of prisoner of war and that of protected civilian) have their advantages and disadvantage he said. A prisoner of war cannot be interrogated, but a protected civilian must be given the right to see his family

As for PLO's treatment of Israeli prisoners, Klein said that the PLO is being very clever in treating its eight Israeli prisoners well, and thus appearing to the rest of the world as "the good guys."

Shefi said the delay in establishing the review committees was purely technical, and that he did not need a court case to motivate him.

[From the Jerusalem Post, Jan. 21, 1983]

EITAN URGED DETENTION CAMPS, EXILE

(By David Richardson)

Chief of Staff Rav-Aluf Rafael Eitan issued a memorandum last April recommending that the Israel Defence Forces, the General Security Service and the Coordinator of Activities in the Administered Territories in the Defence Ministry demand "punishment by explusion" to curb the current widespread unrest in Judea and Samaria.

This is one of several recommendations and instructions Eitan issued in two documents circulated by his bureau. Other instructions included harassing suspected inciters and stone-throwers with repeated and arbitrary arrests, punishing parents, and using collective punishments such as curfews and economic sanctions against troublesome villages.

The documents were among those submitted to the Central District Military Court in Jaffa on Wednesday during the trial of an officer and six soldiers charged with assaulting and otherwise maltreating Arabs in Hebron last March and April.

According to the memorandum, Eitan singled out issues such as the withdrawal from Sinai and the introduction of the civil administration as the main causes for unrest, and recommended that "we demand punishment by expulsion." He suggested that a "detention/exile camp" be built, "even if it does not have the conditions of a normal prison," where detainees were to be kept until their investigation.

A camp for teenage detainees has since been built at Far'a near Nablus.

Other recommendations were:

"to arrest sparingly according to lists of suspects, arrest gradually according to the number of places available in the prisons"

"to use the means of punishing parents"

"to demonstrate a positive attitude to the 'good ones' and a harsh attitude to the 'bad ones' (carrot and stick)"

In a document issued by Eitan's adjutant following a tour of the area on April 2, the chief of staff issued clear instructions:

"Inciters are to be dealt with forcefully and detained at every opportunity".

"One must construct a camp urgently and use the legal facilities permitting detention for questioning (without trial) for the period stipulated . . . [18 days] . . . release for a day or two and then renewed arrest (harassment)" (*tirtur* in Hebrew).

"The civil administration is to refrain from inviting notables in order to warn them (we humiliate ourselves) and is instead to carry out arrests."

"The residents of the Jewish settlements have to carry arms and open fire when they are attacked. This should be made clear and publicized among the Arab residents."

"The civil administration should make extensive use of economic sanctions against problematic (Arab) localities, such as preventing the purchase of cement or fuel for a period we will determine."

Peace Now has sent a letter to Prime Minister Menachem Begin demanding that he publically dissociate himself from Eitan's guidelines and instruct him to change them. Members of Peace Now originally had submitted the complaints about the IDF's behaviour in Hebron to the army judge—advocate-general, resulting in the trial in Jaffa.

Knesset Member Amnon Rubinstein (Shinui) said yesterday that, *prima facie*, Eitan had issued instructions to his officers to give illegal orders to their men and "appeared to have encouraged settler fanatics to open fire on demonstrators."

[From the American Enterprise Institute for Public Policy Research, Washington, D.C.]

SUMMARY OF A CONVERSATION WITH MERON BENVENISTI,[1] OCTOBER 27, 1982

THE WEST BANK DATA PROJECT

Demography of the West Bank

I. Population: Arab, 704,000; Jewish, 22,000.

II. Population trends: "5 Minutes to Midnight".

Within 36 months there will be some 100,000 Jewish inhabitants of the West Bank. If this occurs, it will become impossible for any Israeli Government to relinquish control, as 100,000 inhabitants corresponds to 50,000 voters and 4 seats in the Knesset.

The "demographic threat" of a gradually increasing ratio of Arabs to Jews in the West Bank appears to be a fallacy. Despite a higher birth rate among Arabs then among Jews, the aggregate Arab growth rate is about half that of the Jewish growth rate.

Arab birth rate: 4.1 percent.

Arab population growth rate: 1.4 percent.

The above discrepancy is due to the highly negative migration balance among West Bank Arabs, especially during the period after 1974. The rate continues to increase.

1968-present: 100,000 emmigrants.

1980: 18,000 emmigrants.

Settlements

I. Number of Settlements: Existing or under construction, 75; advanced stages of planning, 19; preliminary stages of planning, 60.

II. Large-scale urban settlements: Number planned, 10; population anticipated, 320,000.

Purpose: to develop suburban bedroom communities serving such Israeli cities as Jerusalem and Tel Aviv, and to bind the economy of the West Bank to the economy of Israel.

Means of development: private development being sold to non-ideologically motivated settlers. These villas have sold rapidly as they cost less than half of comparable properties in Israel. Thus, they represent the single greatest source of new settlers for the West Bank.

III. Lands presently occupied or expropriated:

Absentee property: land abandoned by 1967 refugees;

Property of Jordanian Government or King;

Military requisitions: theoretically still privately owned;

Lands closed for military purposes;

Lands expropriated under Jordanian law (i.e. roads);

Jewish owned lands prior to 1967;

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[1] Meron Benvenisti is a city planner and former Deputy Mayor of Jerusalem.

Lands purchased since 1967: 1967–79, public purchases only; 1979 and after, public and private purchases.

IV. Lands susceptible to expropriation: 55–60 percent.

Under an Ottoman law known as the Turkish Land Code, any lands which are uninhabited and beyond the sound of a human voice from the nearest village revert to the ownership of the Sultan. Israel interprets and applies this law to mean that such lands revert to the Government of Israel. In order to obtain these "dead lands," the government simply claims them, allowing 21 days for counterclaims. The burden of proof is on the counterclaimant, and only Israeli issued titles are accepted as such proof.

Economy

I. The West Bank is the single largest export market for Israel, compromising 25 percent of the total Israeli export market. It is closed and protected, and is subject to a deliberate attempt to subordinate the West Bank economy to that of Israel.

II. The West Bank economy is essentially stagnant, despite: 12 percent average annual growth in GNP, 10 percent average annual growth in per capita GNP.

This stagnation is largely explained by the consistent rise in the remittances from abroad.

Expressed as a percent of GNP: 1976, 28 percent; 1977, 27 percent; 1978, 30 percent; 1979, 34 percent; 1980, 35 percent.

It is also largely explained by the weakness of the industrial sector of the West Bank economy, which is small and undeveloped:

Fifty-seven percent of all industrial plants employ fewer than 3 workers; .01 percent employ more than 100 workers.

The Israeli Government does not permit the development of credit or capital markets, without which industrial development is impossible. At present there are no credit facilities in the West Bank. Expressed as a percent of GNP: 1976, 6.6 percent; 1978, 7.3 percent; 1980, 6.7 percent.

III. The strongest, most stable sector of the West Bank economy is agriculture. Although the 2-year crop cycle of the olive tree makes it somewhat difficult to measure, the value of agricultural production of the West Bank has remained relatively stable.

Expressed as a percent of GNP: 1976, 34.4 percent; 1980, 37.0 percent.

Employment

I. West Bank labor force: 131,000. This represents essentially full employment West Bank workers employed in Israel or by Israeli companies in the West Bank:

Officially employed in Israel: 39,000 (29 percent).

Unofficially employed in Israel: 20,000 (15 percent).

Employed in West Bank by Israeli subcontractors: 15,000 (11 percent).

Employment of West Bank workers in Israel is not a new pattern: of those employed in Israel: Two-thirds have worked in Israel for more than 4 years; one-third have worked in Israel for more than 10 years.

II. Wage scales: Arab workers employed in Israel receive 50–60 percent of the wages paid Israeli workers for comparable work. This is not so much active discrimination as their non-representation by Israeli labor unions (Histadrut) which fear de facto annexation. West Bank workers do not have access to generous union pension plans and they do not receive comparable fringe benefits to those received by unionized workers.

Legal and administrative systems

I. Trend is towards dual legal and administrative system:

Jewish system: Order 783 established regional and local councils in the West Bank comparable to those in Israel. Israeli municipal codes are reissued as military orders. This is intended to make the West Bank a de facto part of the Israeli system without formal annexation.

Arab system: Order 947 separated civilian and military affairs, but left all actual power in the hands of the military authorities. Civil administration has only subsidiary powers. Previous military orders have been raised to status of permanent law in order to guarantee their survival regardless of future changes in the status of the West Bank.

II. Israeli military acts as permanent authority, and responds only to those sections of the Geneva Convention which it chooses to accept, including land usage, economic planning and military organization. These are generally the "humanitarian" sections.

Reagan initiative

President Reagan's initiative of September 1st provided a coherent, alternative foreign policy for Begin's opposition. It helped define the opposition camps more clearly.

The majority of Israelis oppose giving up the West Bank, but this has largely reflected the lack of an alternative option. The Reagan initiative provides such an option for Israelis who oppose annexation of the West Bank.

[From the Department of State, Bureau of International Organization Affairs, Reference and Documents Section]

The enclosed material is sent to you in response to your request.
Remarks:

Resolution	Adopted
508	Unanimously.
509	Unanimously.
511	13 to 0, w/2 abstentions (Poland, USSR).
512	Unanimously.
513	Unanimously.
515	14 to 0, U.S. not participating.
516	Unanimously.
517	14 to 0, 1 abstention (U.S.).
518	Unanimously.
519	13 to 0, w/2 abstentions (Poland, USSR).
520	Unanimously.
521	Unanimously.
523	13 to 0, w/2 abstentions (Poland, USSR).
529	13 to 0, w/2 abstentions (Poland, USSR).

ADDENDUM FROM FCNL FILES

Draft resolution proposed by Egypt and France and currently before the Security Council.

Draft resolution S/15185 proposed by Spain, vetoed by the U.S.

Draft resolution S/15255 proposed by France, vetoed by the U.S.

Draft resolution proposed by the U.S.S.R. vetoed by the U.S.

RESOLUTION 509 (1982) ADOPTED BY THE SECURITY COUNCIL AT ITS 2375TH MEETING, ON 6 JUNE 1982

The Security Council,

Recalling its resolutions 425 (1978) of 19 March 1978 and 508 (1982) of 5 June 1982,

Gravely concerned at the situation as described by the Secretary-General in his report to the Council,

Reaffirming the need for strict respect for the territorial integrity, sovereignty and political independence of Lebanon within its internationally recognized boundaries,

1. Demands that Israel withdraw all its military forces forthwith and unconditionally to the internationally recognized boundaries of Lebanon;

2. Demands that all parties observe strictly the terms of paragraph 1 of resolution 508 (1982) which called on them to cease immediately and simultaneously all military activities with Lebanon and across the Lebanese-Israeli border;

3. Calls on all parties to communicate to the Secretary-General their acceptance of the present resolution within 24 hours;

4. Decides to remain seized of the question.

RESOLUTION 512 (1982) ADOPTED BY THE SECURITY COUNCIL AT ITS 2380TH MEETING, ON 19 JUNE 1982

The Security Council,

Deeply concerned at the sufferings of the Lebanese and Palestinian civilian populations,

Referring to the humanitarian principles of the Geneva Conventions of 1949 and to the obligations arising from the regulations annexed to the Hague Convention of 1907,

Reaffirming its resolutions 508 (1982) and 509 (1982),

1. Calls upon all the parties to the conflict to respect the rights of the civilian populations, to refrain from all acts of violence against those populations and to take all appropriate measures to alleviate the suffering caused by the conflict, in particular, by facilitating the dispatch and distribution of aid provided by United Nations agencies and by non-governmental organizations, in particular, the International Committee of the Red Cross (ICRC);

2. Appeals to Member States to continue to provide the most extensive humanitarian aid possible;

3. Stresses the particular humanitarian responsibilities of the United Nations and its agencies, including the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), towards civilian populations and calls upon all the parties to the conflict not to hamper the exercise of those responsibilities and to assist in humanitarian efforts;

4. Takes note of the measures taken by the Secretary-General to co-ordinate the activities of the international agencies in this field and requests him to make every effort to ensure the implementation of and compliance with this resolution and to report on these efforts to the Council as soon as possible.

RESOLUTION 513 (1982) ADOPTED BY THE SECURITY COUNCIL AT ITS 2382ND MEETING, ON 4 JULY 1982

The Security Council,

Alarmed by the continued sufferings of the Lebanese and Palestinian civilian populations in South Lebanon and in West Beirut,

Referring to the humanitarian principles of the Geneva Conventions of 1949 and to the obligations arising from the Regulations annexed to the Hague Convention of 1907,

Reaffirming its resolutions 508 (1982), 509 (1982) and 512 (1982),

1. Calls for respect for the rights of the civilian populations without any discrimination and repudiates all acts of violence against those populations;

2. Calls further for the restoration of the normal supply of vital facilities such as water, electricity, food and medical provisions, particularly in Beirut;

3. Commends the efforts of the Secretary-General and the action of international agencies to alleviate the sufferings of the civilian population and requests them to continue their efforts to ensure their success.

RESOLUTION 515 (1982) ADOPTED BY THE SECURITY COUNCIL AT ITS 2385TH MEETING, ON 29 JULY 1982

The Security Council,

Deeply concerned at the situation of the civilian population of Beirut,

Referring to the humanitarian principles of the Geneva Conventions of 1949 and to the obligations arising from the regulations annexed to the Hague Convention of 1907,

Recalling its resolutions 512 (1982) and 513 (1982),

1. Demands that the Government of Israel lift immediately the blockade of the city of Beirut in order to permit the dispatch of supplies to meet the urgent needs of the civilian population and allow the distribution of aid provided by United Nations agencies and by non-governmental organizations, particularly the International Committee of the Red Cross (ICRC);

2. Requests the Secretary-General to transmit the text of this resolution to the Government of Israel and keep the Security Council informed of its implementation.

RESOLUTION 516 (1982) ADOPTED BY THE SECURITY COUNCIL AT ITS 2386TH MEETING ON 1 AUGUST 1982

The Security Council,

Reaffirming its resolutions 508 (1982), 509 (1982), 511 (1982), 512 (1982) and 513 (1982),

Recalling its resolution 515 (1982) of 29 July 1982,

Alarmed by the continuation and intensification of military activities in and around Beirut,

Taking note of the latest massive violations of the cease-fire in and around Beirut,

1. Confirms its previous resolutions and demands an immediate cease-fire, and a cessation of all military activities within Lebanon and across the Lebanese-Israeli border;

2. Authorizes the Secretary-General to deploy immediately on the request of the Government of Lebanon, United Nations observers to monitor the situation in and around Beirut;

3. Requests the Secretary-General to report back to the Council on compliance with this resolution as soon as possible and not later than four hours from now.

REPORT OF THE SECRETARY-GENERAL IN PURSUANCE OF SECURITY COUNCIL RESOLUTION 516 (1982)

1. This report is submitted in pursuance of Security Council resolution 516 (1982), unanimously adopted by the Security Council on 1 August 1982 at 1325 hours New York time. In this resolution, the Security Council confirmed its resolutions 508 (1982), 509 (1982), 511 (1982), 512 (1982), 513 (1982) and 515 (1982) and demanded an immediate cease-fire and cessation of all military activities within Lebanon and across the Lebanese-Israeli border, authorised the Secretary-General to deploy immediately, on the request of the Government of Lebanon, United Nations Observers to monitor the situation in and around Beirut, and requested the Secretary-General to report back to the Council on compliance with the resolution as soon as possible and not later than four hours from the time of its adoption.

2. Following the adoption of the resolution, the Permanent Representative of Lebanon sent a letter to the Secretary-General in which he requested on behalf of his Government the stationing of United Nations Observers in the Beirut area to ensure that the cease-fire was fully observed by all concerned (S/15333).

3. Upon receipt of the request of the Lebanese Government, the Secretary-General instructed the Chief of Staff of the United Nations Truce Supervision Organization (UNTSO), Lt. General Emmanuel A. Erskine, to make the necessary arrangements, in consultation with the parties concerned, for the immediate deployment of United Nations Observers in and around Beirut in accordance with Security Council resolution 516 (1982). As the Security Council is aware, the deployment of United Nations Observers as called for by the Council will be possible only with the co-operation of all the parties and if a cease-fire is effectively achieved.

4. On the afternoon of 1 August, General Erskine met with senior officials of the Foreign Ministry of Israel in Jerusalem concerning the implementation of Security Council resolution 516 (1982). The officials informed the UNTSO Chief of Staff that this was a very important matter which had to be brought before the Israeli Cabinet. General Erskine would be advised as soon as the Cabinet had discussed this question. The officials added that, from their information, the situation in Beirut had improved as the cease-fire seemed to have taken effect.

5. At the same time, on instruction from General Erskine, the Chairman of the Israel-Lebanon Mixed Armistice Commission (ILMAC) met with the Commander of the Lebanese Army, General Khoury. The latter conveyed to the UNTSO Chief of Staff the assurance that the Lebanese Army was ready to provide all facilities and to assist the United Nations Observers in the implementation of Security Council resolution 516 (1982).

6. The Chairman of ILMAC further reported that he was making efforts to meet with Chairman Arafat, but that he was encountering difficulties in reaching him. In the meantime, the Permanent Observer of the Palestine Liberation Organization to the United Nations, Mr. Terzi, conveyed to the Secretary-General of the PLO's acceptance of the text of the resolution. The message added that the PLO would do its utmost to co-operate with United Nations Obervers in accordance with paragraph 2 of the resolution.

7. The Chairman of ILMAC, who is in Beirut, has reported that from his preliminary observations on the ground, the cease-fire appeared to be holding as of 2400 hours local time, 1 August 1982.

8. General Erskine is pursuing actively his efforts to give speedy effect to the Security Council resolution. The Secretary-General will of course keep the Council currently informed of further developments.

RESOLUTION 517 (1982) ADOPTED BY THE SECURITY COUNCIL AT ITS 2389TH MEETING ON 4 AUGUST 1982

The Security Council,

Deeply shocked and alarmed by the deplorable consequences of the Israeli invasion of Beirut on 3 August 1982,

1. Reconfirms its resolutions 508 (1982), 509 (1982), 512 (1982), 513 (1982), 515 (1982), and 516 (1982);

2. Confirms once again its demand for an immediate cease-fire and withdrawal of Israeli forces from Lebanon;

3. Censures Israel for its failure to comply with the above resolutions;

4. Calls for the prompt return of Israeli troops which have moved forward subsequent to 1325 hours to EDT on 1 August 1982;

5. Takes note of the decision of the Palestine Liberation Organization to move the Palestinian armed forces from Beirut;

6. Expresses its appreciation for the efforts and steps taken by the Secretary-General to implement the provisions of Security Council resolution 516 (1982), and authorizes him, as an immediate step, to increase the number of United Nations observers in and around Beirut;

7. Requests the Secretary-General to report to the Security Council on the implementation of the present resolution as soon as possible and not later than 1000 hours EDT on 5 August 1982;

8. Decides to meet at that time if necessary in order to consider the report of the Secretary-General and, in case of failure to comply by any of the parties to the conflict, to consider adopting effective ways and means in accordance with the provisions of the Charter of the United Nations.

RESOLUTION 518 (1982) ADOPTED BY THE SECURITY COUNCIL AT ITS 2392ND MEETING ON 12 AUGUST 1982

The Security Council,

Recalling its resolutions 508 (1982), 509 (1982), 511 (1982), 512 (1982), 513 (1982), 515 (1982), 516 (1982), and 517 (1982),

Expressing its most serious concern about continued military activities in Lebanon and, particularly, in and around Beirut,

1. Demands that Israel and all parties to the conflict observe strictly the terms of Security Council resolutions relevant to the immediate cessation of all military activities within Lebanon and, particularly, in and around Beirut;

2. Demands the immediate lifting of all restrictions on the city of Beirut in order to permit the free entry of supplies to meet the urgent needs of the civilian population in Beirut;

3. Requests the United Nations observers in and in the vicinity of Beirut to report on the situation;

4. Demands that Israel co-operate fully in the effort to secure the effective deployment of the United Nations observers, as requested by the Government of Lebanon, and in such a manner as to ensure their safety;

5. Requests the Secretary-General to report soonest to the Security Council on the implementation of the present resolution;

6. Decides to meet if necessary in order to consider the situation upon receipt of the report of the Secretary-General.

AFRICA: LEGISLATIVE ISSUES

TUESDAY, MARCH 8, 1983

UNITED STATES SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS OF THE
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Nancy L. Kassebaum (chairman of the subcommittee) presiding.

Present: Senators Kassebaum, Helms, Pell, and Tsongas.

Senator KASSEBAUM. The hearing will come to order, and this is on an issue of great importance, far more than it would look like with just myself sitting here chairing. There will be other Senators coming. I think it is an important one on foreign relations legislation and our AID and USIA funding.

I would like to welcome Dr. Crocker, Mr. Lewis, and Mr. Ruddy.

Dr. Crocker, would you care to lead off?

STATEMENT OF HON. CHESTER A. CROCKER, ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS, DEPARTMENT OF STATE, ACCOMPANIED BY JAMES L. WOODS, DIRECTOR, AFRICA REGION, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS, DEPARTMENT OF DEFENSE

Mr. CROCKER. Thank you, Madam Chairwoman.

I appreciate very much this opportunity to discuss the administration's foreign assistance proposals for Africa in terms of both our supplemental request and fiscal 1984.

With your permission, I would like to briefly summarize some of the main points in our fuller testimony, excluding the detail on subregional and country-by-country programs.

Senator KASSEBAUM. Your full statement will be inserted in the record. Thank you.

Mr. CROCKER. There is a central theme to our assistance proposal which is a balanced strategy. While it draws from previous experience, it is more realistic and better articulated than its predecessors.

In the past, America's approach to assistance programs in Africa has tended to shift from extreme to extreme. Rarely did these swings in assistance philosophy accord with African reality or with our own significant interests on that continent.

I believe the case has been amply made to demonstrate that Africa has significant political, economic, and strategic weight in the global balance, and I believe that the high level and remark-

able diversity of American interests there are now becoming recognized.

What is lacking is a common appreciation of the nature of the crises that Africa faces. There remains a tendency to emphasize one aspect to the exclusion of others, and thus one remedy to the detriment of others. The reality is that if our interests as well as African interests are to be protected, if Africa's weight in the global balance is to move and stay firmly on our side, then we must find effective ways to address Africa's problems, a crisis with three dimensions.

First, short-term economic financial instability. Second, the need to lay the groundwork for future growth, structural reform, employment, increased foreign exchange earnings, and balanced development. And third, security problems, both African and global.

Our proposals address these problems in a coordinated way. And we believe that this administration's assistance strategy in Africa has demonstrated its validity.

Our comprehensive approach to the economic stabilization, developmental, and security problems facing Africa has been effective, and effective during a period of crisis. In Sudan, the Government faced an immediate financial crisis as interest payments on foreign debt exceeded projected foreign exchange earnings.

The United States organized a consultative group of donor nations that worked with Sudan to help bring about an IMF stabilization program for Sudan, foreign debt rescheduling, and major structural reforms of the domestic economy to provide the basis for a turnaround in the performance of the Sudanese economy.

Our critical resource contribution to this multidonor rescue operation was through a fast disbursing ESF [economic support fund] program. Simultaneously, we worked with Sudan and other leading donors to improve the focus and effectiveness of long-term development programs.

Finally, in light of the serious subversive threat facing Sudan from Libya and other nations, of which we saw an example last month, we continued a critical security assistance program to Sudan without which the Government could not possibly have achieved its economic stabilization and reform objectives.

The multifaceted crisis facing Sudan is not yet over, but the means to overcome it have been determined, and what remains is to complete the task over the next few years.

In Zimbabwe, we are completing an annual pledge of $75 million in special economic recovery assistance over the years 1982 through 1984. That pledge represented our commitment to work together with this critical nation in southern Africa as a friend and partner.

Our assistance program there has had almost unprecedented success in achieving an immediate and favorable impact on the economy of Zimbabwe. That program is serving as a model that is increasingly studied and followed by other donors. By extensive use of a commodity import program financed through ESF, we were able to provide badly needed imports held up due to a shortage of foreign exchange, which in turn enabled private companies to resume or expand production when needed.

At the same time, we recognize Zimbabwe's security problems and are seeking a $3 million FMS guarantee program in fiscal year 1984 to encourage that nation to have confidence in the West.

This year, then, under the continuing resolution, we fell $15 million short of the $75 million in ESF that we requested for fiscal year 1983, and we therefore ask this committee to provide the missing funds now, as well as the full amount for fiscal year 1984.

In Somalia, we registered notable success in both our security and economic assistance programs. Last year, Somalia was attacked by Ethiopian forces which continue to hold two Somali towns. Somalia's own history of irredentism has contributed in the past to tensions in the area, but this time Ethiopia was the one which transgressed boundaries.

Ethiopia possesses massive amounts of Soviet arms, and has the largest standing army in sub-Saharan Africa. We responded to Somalia's request for help to defend its territory with two emergency airlifts. Our response was measured. It enabled Somalia to contain the invasion. It reinforced our commitment to help a friend in protecting its territorial integrity, and demonstrated to our adversaries that we will not stand idly by in the face of such flagrant acts against our friends.

Madame Chairwoman, we are not alone in this effort to strengthen African relationships with the West. These examples illustrate some salient cases where we feel we have been successful and we need the continued support of Congress to continue that record of success.

But I would emphasize that our allies, particularly the Europeans, bear a major share of the assistance burden in Africa. Our own contribution of bilateral economic aid ranks behind that of France and Germany. The United States takes the lead in only a few countries, such as Liberia and Sudan, which are of special importance to us. A further erosion of our assistance levels will threaten our ability to promote U.S. interests or even to press internationally for an adequate response to African needs.

Although our interests in Africa are suddenly increasing, American aid is barely keeping pace with inflation. In the early 1960's, the United States contributed 60 percent of total economic aid worldwide. Today, that level is down to 16 percent.

In Africa, United States bilateral economic aid is less than 10 percent of official aid from all sources. In the past year, many African countries, most of which are dependent on one or two primary products for their income, have had to suffer the painful consequences of continued low commodity prices, declining food production, mushrooming population, and skyrocketing international indebtedness.

Today's world recession, combined with the growth-inhibiting economic policies pursued by many African countries over the past generation, magnify these problems further.

In the last year, two dozen African countries sought the assistance of the IMF in dealing with their economic difficulties. Some have had to reschedule their external government debt. The great majority face extremely limited shortrun prospects for improvement. For many countries in Africa, the present crisis requires a two-phased response. The first is usually an IMF-supported stabili-

zation program which emphasizes short-term balance-of-payments adjustments, and often demands painful reform measures.

The second phase is typically an investment program whereby the World Bank and other donors encourage and help finance growth-producing development activities.

Our leadership over the past 6 months has been instrumental in organizing such a multifaceted and multidonor response to Sudan's crisis. Our aid, Madame Chairwoman, is essential in both phases. Fast disbursing balance-of-payments assistance, often provided in the form of ESF, may be required to help close a balance-of-payments gap in conjunction with the IMF and other donors. Our balance-of-payments support is directly keyed to economic reform efforts being urged by the international financial institutions.

Africa's crisis demands a balanced and flexible mixture of project and nonproject economic assistance designed to help meet a combination of short-, medium-, and long-term requirements.

Turning now to security assistance, the politics of survival in sub-Saharan Africa dictate that for the majority of African countries, security and development are in fact inseparable. Not only are the economies weak and vulnerable, but the means of legitimate self-defense are expensive and draw on scarce resources.

We have sought a partnership with Africa which recognizes Africa's legitimate needs both for self-defense and for development. We have focused most heavily on Africa's economic requirements, but we have not and must not neglect the defense needs of our friends in Africa who face direct threats from abroad.

Our request reflects both, and you will note that we have asked for $963.7 million in economic assistance and $202.3 million for military programs in our fiscal year 1984 request. Despite the clear evidence provided by these figures, there is a pernicious misconception that this administration's goal is to arm Africa and thus contribute both to the diversion of funds that could be used for development and the increase of Africa's debt burden.

In 1981, all of Africa, with the exception of Egypt, counted for less than 1 percent of the total value of United States exports of defense articles and services. The foremost supplier of military equipment in Africa continues to be the Soviet Union. The United States is fourth or fifth on the list. African nations themselves have asked us for assistance in assuring their security, and these programs, ranging from armored cars in Botswana, helicopters in Kenya, housing in Liberia, are effective.

Many of these programs also have direct beneficial civilian spinoffs in terms of infrastructure improvements and trained manpower. The engineering and construction programs in Kenya, Liberia, Senegal, and Sudan have produced new facility and housing construction and improved roads in both urban and rural areas.

Communications programs in Somalia and Sudan allow units in remote areas to communicate with population centers, not only for military purposes, but also for civilian requirements and emergencies. Through our military training program, which each U.S. Ambassador considers one of his most valuable, we have trained large numbers of managers and technicians who are now providing much needed skills in their own countries.

As Vice President Bush said in Nairobi last November, our overarching strategic goal in Africa is to help establish a framework for restraint and broad rules of conduct that will limit and discourage the application of outside force in African conflicts.

Peaceful development is the only way Africa will find solutions to the critical social and economic challenges which threaten security. When insecurity is fueled by destabilization from external forces and fed from within by internal economic difficulties, we promote African as well as our own interests when we help Africans to resist these problems.

In conclusion, let me say that I share the view that domestic budgetary constraints demand scrupulous examination of any proposed expenditures. The amount we are asking for sub-Saharan Africa in fiscal year 1984 comes to about 14 percent of the total foreign assistance budget request. It is the minimum that the United States needs to sustain its part of the commitment we have undertaken with our allies to further Africa's development.

It is directly in our own economic and commercial interests, given our growing stake in the world economy, of which Africa is an important part. We have adopted a comprehensive approach to the foreign assistance needs of our friends in Africa that is realistic, and it works. Our assistance has a powerful leveraging impact upon the entire donor community for both economic stabilization and development purposes, and it is promoting essential structural reforms of many African economies.

Our comparatively small security assistance levels have a positive impact as a tangible demonstration of our willingness to help friends threatened by external subversion, and of our belief that there is no development without peace and security.

We ask your support for the administration's foreign assistance request for Africa.

Thank you very much.

[Mr. Crocker's prepared statement follows:]

PREPARED STATEMENT OF HON. CHESTER A. CROCKER

I appreciate this opportunity to discuss with you publicly and for the record our proposals for Africa for 1984. I am most concerned that those of us who are truly committed to a positive future for Africa carefully examine the role of foreign assistance in achieving that future.

American interests in Africa are varied, complex and growing rapidly. They include such obvious material and strategic interests as access to vital minerals and the importance of maintaining partnership with friendly nations flanking the transportation lanes to the Persian Gulf. They include our deep concern for the economic development and growth of Africa, without which the continent cannot realize its great potential.

Americans are tied to Africa by bonds of ancestry and culture. We remain committed to helping Africans suffering the effects of famine and civil strife, all too common in the world's most recently independent continent. We are actively seeking peaceful solutions to the conflicts and problems in southern Africa. We remain equally determined to prevent Soviet, Cuban and Libyan adversaries from taking advantage of Africa's current weaknesses to pursue strategies of destabilization, which could further delay Africa's progress toward economic and political well being.

Above all I believe that the United States, by virtue of our technical skills, economic strength, and humanitarian concern, has the wherewithal to forge a growing and mutually advantageous partnership with Africa. And we know that increasing numbers of African leaders look to the West for help.

The request for economic and military assistance now under consideration is certainly not the only means to help us achieve a more effective partnership with Africa—much can be done by private individuals and organizations—but there can be no doubt that aid is of critical importance. The request is the minimum that is needed to do the job, based on full awareness of budgetary constraints and the sacrifices that cuts in domestic programs are imposing on many Americans.

We are not alone in this effort. Our allies, particularly the Europeans, bear a major share of the burden. Our own contribution of bilateral economic aid ranks third behind France and Germany. The United States is taking the lead in only a few countries, such as Liberia and Sudan, which are of special importance to us. While we welcome the key role of our allies, it is nonetheless clear that further erosion of our assistance levels will threaten our ability to promote U.S. interests or even to cooperate effectively with our allies. In this connection, it must be a matter of concern that although our interests in Africa are steadily increasing, American aid is barely keeping pace with inflation. A recent GAO study notes that in the early 1960's the United States contributed 60 percent of total economic aid, worldwide. Today the level of U.S. bilateral aid is down to 16 percent of worldwide official aid flows. In Africa, U.S. bilateral economic aid is less than 10 percent of official aid from all sources.

ECONOMIC CRISIS: THE THREAT TO AFRICA'S POLITICAL VIABILITY

In the past year we have witnessed growing desperation among African countries, most of which are dependent on one or two primary products for their income, as they have had to suffer the painful consequences of continued low commodity prices. For these countries, declining food production, mushrooming population and skyrocketing international indebtedness are not descriptive terms, but threats to the lives of their people and to their very existence as nations. The impact of today's world recession has been aggravated substantially by the growth-inhibiting economic policies pursued by many African countries over the past generation.

In the last year some two dozen African countries have sought the assistance of the IMF in dealing with their economic difficulties. A dozen or so of these nations have also had to reschedule their external government debt. And still the great majority of African nations face extremely limited short-run prospects for improvement in their financial stituations.

The unprecedented economic crisis in Africa threatens U.S. interests on several levels. Unless it is alleviated, African leaders will be increasingly attracted by authoritarian or repressive political strategies with destructive consequences. Although Africa does not have debt problems on the scale of Latin America, default by one or more major African countries would certainly increase present strains on the international financial system. Unchecked economic crisis will in time generate a further burden of famine, refugees and civil strife, deplorable in itself and demanding expensive international relief efforts in response. Finally I would remind you that one out of five U.S. jobs depends in some way on international trade, and that 40 percent of our cropland is devoted to production for export. Weak performance in Africa reduces the growth in our export sales, depresses our economic growth, and slows job creation in the United States.

The successful uses of assistance: ESF and DA

We must not conclude, however, that all is doom and gloom. There are bright spots on the African horizon, and our aid programs have had a significant role in some of them. In Senegal, for example, USAID has been instrumental in improving health conditions, in bringing to rural villages the results of agricultural research and new technological developments, and in increasing crop yields significantly. Our aid has been equally successful in Zimbabwe, where despite political problems, the government has clearly demonstrated its ability to absorb and use effectively our assistance in support of pragmatic economic policies. An ESF-funded commodity import program has provided badly needed direct support for the private sector, among other things enabling a major American firm, Caterpillar, to continue a program which trains black employees in a wide range of skills.

For many countries in Africa, the present crisis requires a two-phased response. The first phase is usually an IMF supported stabilization program which emphasizes short-term balance of payments adjustment. IMF programs often demand painful reform measures, including adjustment of overvalued exchanged rates, reduction in domestic budgets, and elimination of subsidies. Relief from unmanageable debt burdens through rescheduling may be a necessary adjunct to an IMF program. If successful, the stabilization phase will eliminate major disincentives to exporters and

other domestic producers and set the stage for renewed growth. The second phase is typically an investment program whereby the World Bank and other donors encourage and help finance growth-producing development activities. Our leadership over the past 6 months has been instrumental in organizing such a multi-faceted response to Sudan's economic crisis. Within the past month, donors have agreed to support a World Bank approved investment program, the IMF has approved a new stabilization program for Sudan, and official creditors have provided needed debt relief.

Our aid is essential in both phases. Fast disbursing balance of payments assistance, often provided in the form of ESF, may be required to help close the balance of payments gap in conjunction with the IMF and other donors. Our balance of payments support is directly keyed to economic reform efforts being urged by the IBRD and IMF. Later in the investment phase, both project and non-project aid funded with Development Assistance, ESF and Public Law 480, can be provided with accompanying technical assistance to help get the growth process going again. It is essential that the two phases—stabilization and growth—be presented together, because unless African leaders perceive and understand and can reasonably count on the relationship between austerity and growth, they will hardly be willing to take the political risks which this process demands of them.

Our ESF programs provide much appreciated, fast-acting assistance to key countries like Kenya and Sudan precisely when they are undertaking painful and expensive reform measures. These programs also have high developmental content. One common means of disbursing such aid is the commodity import program, or CIP. This mechanism has the added advantage of stimulating American exports to promising African markets. CIP's enable us to provide capital goods and spare parts without which local American firms, often squeezed by severe foreign exchange shortages, might go under. The result is a boost to the private sector, frequently to firms which are training Africans, contributing to agricultural development, and serving as agents of technology, as in Zimbabwe. A significant component of our CIP programs in Africa consists of inputs of importance to the local agricultural sector: fertilizer and farm machinery are two examples which spring to mind. Without our programs these countries could not afford such imports, leading to even further declines in their food production. Finally, when CIP-financed goods are sold they generate local currencies which are jointly administered by AID and the host government to fund development activities.

Africa's crisis demands a balanced and flexible mixture of project and non-project economic assistance designed to help meet a combination of short, medium and long-term requirements. The growth in non-project aid in recent years, delivered primarily through ESF and Title I Public Law 480, reflects the depth of the current crisis and the consequent emphasis on successful economic stabilization. The need for such assistance is recognized by virtually all development experts, and was endorsed by the World Bank's 1981 study, "Accelerated Development in sub-Saharan Africa: an Agenda for Action," which noted that "quick disbursing balance of payments assistance is critically needed in some countries to permit fuller operation and maintenance of existing productive capacity and infrastructure."

Our project aid continues to support programs in the important fields of agriculture, health, population and manpower development. The effectiveness of these projects and their long range impact on economic development is obviously strengthened if they are carried out in the context of sound national economic policies. Many of these projects have been instrumental in helping the Africans to manage essential, but often drastic, policy changes and programs devoted to serving the "basic human needs" concept.

ADDRESSING AFRICA'S SECURITY AND DEVELOPMENT NEEDS

Whatever we and the Africans themselves may wish, the politics of survival dictate that for the majority of African countries security and development are inseparable. In Africa, the security problem is particularly difficult because not only are the economies weak and vulnerable, but the means of legitimate self-defense are expensive and draw on scarce resources. Our answer to Africa must include a response to legitimate needs, both for self-defense and for development. In shaping our response we have focused most heavily on the economic requirement, but we have not and must not neglect the defense needs of our friends in Africa who face direct threats from abroad.

Terms of partnership

In undertaking a response to Africa's several problems, we cannot force on Africa solutions that we would reject for ourselves as untenable and unrealistic. Instead, in his speech this past November in Kenya, Vice President Bush spoke explicitly of the kind of partnership with Africa that this Administration views as possible and desirable:

"Because we believe that Africa has the capacity and will to be master of her own destiny, President Reagan has, over the past 20 months, worked to forge a new and mature partnership with the nations and people of Africa. We speak of a partnership that begins with mutual respect. We speak of a partnership that includes honest discussions. We speak of a partnership which recognizes that each nation must do its part if the goals we share are to be achieved. Partnership is a two way street based on shared goals, common principles and mutual interests."

What we envision and propose for Africa is a program of security and developmental assistance that takes into consideration African needs and realities as well as our own interests and capabilities. Because we are so convinced of the importance of the undertakings and the commitment we are asking the Congress to make on behalf of the American people, I want to make clear to you the process by which we arrived at the request levels we are placing before you today.

Security assistance to Africa: Myths and realities

I believe we need to begin by dealing with the pernicious misconception that this Administration's goal is to arm Africa and in so doing contribute to both the diversion of funds that could be used for development and the increase of Africa's debt burden. In 1981, all of Africa, with the exception of Egypt, accounted for less than 1 percent of the total value of U.S. exports of defense articles and services. The foremost supplier of military equipment in Africa continues to be the Soviet Union; the United States is fourth or fifth on the list. African nations themselves have asked us for assistance in assuring their security.

Madame Chairwoman, the Administration is often criticized for requesting funds for large, expensive military assistance programs that wind up in ruins and that detract from the critical need for economic development. I would like to take a moment to set the record straight. The United States can point with pride to the fact that the great majority of our programs in Africa are successful. These programs, ranging from armored cars in Botswana to helicopters in Kenya to housing construction in Liberia, are effective, operating programs. Additionally, a great many of these programs have had direct beneficial civilian spin-offs in terms of infrastructure improvements and trained manpower.

We have successful ongoing programs in Botswana, Gabon, Kenya, Liberia, Senegal, Sudan, and Somalia. These programs run the gamut from engineering in Liberia, Senegal, and Sudan to aviation in Kenya and mechanized infantry and armor in Botswana, Gabon, and Somalia. These programs have not only added to the capabilities of the host military but have introduced senior officials to the concepts of planning, budgeting, and logistics that are vital to the success of any military organization. I would also like to point out that all of the United States FMS programs in Africa have come in at, or under, the projected cost.

These programs also provide direct civilian benefits. The engineering and construction programs in Kenya, Liberia, Senegal, and Sudan have made direct contributions in the form of new facility and housing construction and of building and improving roads in both urban and rural areas. Communications programs in Somalia and Sudan allow the units in remote areas to communicate with population centers, not only for military purposes but also to get needed attention to civilian requirements and emergencies. Through both our IMET and FMS training programs we have trained large numbers of managers and technicians who are now providing much needed skills in their own countries. These skills range from finance, to administration, to engineering, to avionics, to electronics, and vehicle maintenance to name a few.

Finally, I must once again bring to your attention the tremendous success of our International Military Education and Training (IMET) program. Without exception, each of our Ambassadors reports that IMET is one of the most valuable programs we have to offer. Each of our missions would like to have more IMET to offer to the host country. We are beginning to see remarkable improvements in military management and equipment operation and maintenance in those countries where we have these programs. I cannot overemphasize the importance and value of our IMET program in Africa.

The vetting process

With regard to requests from African nations themselves for security assistance, let me point out that the close scrutiny the American people rightfully demand of such assistance requires that the Administration employ a very careful screening process to assess the validity of a country's declaration of need. In the case of FMS/MAP, for example, the Department of Defense is often asked to lend its expertise and undertake a survey of needs. When the survey indicates that a need does exist, a stringent vetting process within the Administration as a whole measures individual country requirements against other policy demands, both foreign and domestic. The bulk of our FMS/MAP program is concentrated in a few key countries such as Sudan, Somalia, Niger and Kenya.

I submit that a careful review by the Congress of the kind of security assistance we are requesting for Africa will clearly demonstrate that we are not ignoring developmental goals in favor of military sales. Instead, I have tried to make clear how critically key African countries need ESF assistance if they are to bridge the gap between economic and political survival created by the demands of economic reform programs, as you can see by our request of $963.7M in economic assistance against a total of $202.3M for military programs.

PART II—SECURITY ASSISTANCE PROGRAMS IN AFRICA

In seeking to address the issue of security assistance to Africa, we must first understand our own interests in that part of the world and our goal in view of those interests. It is important that we realize that for the most part, our actions in Africa are undertaken in concert with our Western Allies. We in the West see Africa as an important part of the global reality we all face. Africa's size, location, population, the number of governments Sub-Saharan Africa represents in international organizations; Africa's potential in terms of strategic minerals, trade, investment, and the global economic picture; the human needs the continent represents in light of our traditional humanitarian concerns: all of these factors shape the West's interest in Africa's development.

Our interests are best served by political and economic stability, which foster the peaceful development of modern African economic and political institutions that can interact with our own to mutual advantage. As Vice President Bush said in Nairobi last November, our overreaching strategic goal in Africa is to help establish a framework for restraint and broad rules of conduct that will limit and discourage the application of outside force in African conflicts. We do not, however, view security assistance as a simple question of military assistance.

We continue to emphasize economic over military assistance at a ratio of better than 4 to 1. Peaceful development is the only way Africa will find solutions to the critical social and economic challenges which threaten security.

Africa is struggling to survive its worst economic crisis since World War II. This explains our emphasis on economic assistance. We recognize that even minimal conditions of security in Africa are impossible unless African states can stabilize their battered economies and regain the path of development. When insecurity is fueled by destabilization from external forces, and when instability is fed by internal economic difficulties, we promote African, as well as our own, interests in helping African friends to resist and overcome these factors. Let me turn now to a discussion of specific programs and concerns that fall under the Security Assistance rubric.

SOUTHERN AFRICA

Perhaps nowhere in Africa have our own security concerns, and our own security policies, coincided with African security needs and been more intensely engaged than in southern Africa. This region, from Zaire to the Cape of Good Hope, contains the bulk of Africa's mineral wealth, its most developed industrial structure, and almost two-thirds of the continent's GNP. It is also a region threatened with the prospect of heightened violence and polarization that could lead to Great Power confrontation. It is precisely to avoid that possibility of violence and confrontation that we have fashioned a major effort to bring about regional peace and security. We have launched a policy of constructive engagement with all the states of the region who wish the same with us. A major policy objective is to provide an alternative to conflict, not only in Namibia but throughout the region. Vice President Bush summed up our policy in Nairobi last November when he said, "We are determined to help turn the sad tide of growing conflict and tension in southern Africa."

The United States and its Western allies are in a unique position to play a leading role in helping southern Africa reverse the trend of mounting violence and

avoid disaster. The material resources we require in support of this regional diplomatic effort are comparatively modest but absolutely essential to its success.

Our Security Assistance request for southern Africa in fiscal year 1984 includes $155 million for ESF, $24 million for FMS/MAP, and $1.975 million IMET, for a total of $180.975 million. Our Supplemental request for 1983 totals $22.0 million in ESF and $21.0 million in FMS/MAP.

In order to elucidate how these requests fit into our strategy for the region, however, I shall address some specific programs.

Zaire

Zaire's size, mineral wealth and the fact that much of its southern border, including the borders of twice-invaded Shaba province, are contiguous with Angola's and Zambia's northern borders make Zaire's continued stability and viability important to our southern African strategy. We are concerned that recurrence of turmoil in Shaba province could have a disquieting affect on both Angola and Zambia that would hamper the West's efforts to engage those two states in the process of resolving southern Africa's regional conflicts.

Zaire faces critical economic problems and we are engaged with other allies, especially Belgium and France, the World Bank and the IMF in a broad based assistance effort. In 1983 France's total assistance to Zaire will be about $60 million and Belgium's about $90 million. Our own fiscal year 1983 assistance level, including DA and the Supplemental, will total about $48.5 million. In fiscal year 1984 we are proposing a total of $43.4 million.

From the FMS/MAP perspective, we have a C–130 program that is an important part of an agreement on our part with our allies and with Zaire to help with military airlift capability for the brigades now being trained by Belgium, France, China and Israel. Since we were able to provide only $2 million MAP and $2 million FMS under the CR for fiscal year 1983, we are requesting an additional $8 million FMS and $8 million MAP in the supplemental for a total of $20 million in 1983, as well as $10 million in fiscal year 1984, in order to restore the C–130 program to a working level.

We are also requesting $7 million in ESF in the fiscal year 1983 Supplemental and $10 million in 1984 to be used for Commodity Import Programs (CIP). We are aware that this Committee indicated last year that it wished us not to expend ESF monies in Zaire until a record of compliance with the IMF is established. We have reason to hope that the current effort being made by the Zairian Government to deal with some of the graver issues of mismanagement and lack of accountability that have proved damaging to its economy will in fact lead to an accord with the IMF in fiscal year 1983. Disbursements of our assistance will depend upon the existence of this record.

Our part in assisting Zaire's economic recovery will be directed toward revitalization of the private sector. Zaire's domestic industry is operating at from 25 to 40 percent of capacity because of shortages of imported equipment, spare parts and raw materials. The $7 million ESF in 1983 would be expended in those areas. The $10 million ESF in 1984 would help pay for agriculture imports.

Zimbabwe

Zimbabwe's emergence 3 years ago as a newly independent nation was a seminal event in the political evolution of southern Africa. The West's decision to assist Zimbabwe was based on our hope that Zimbabwe's development would reflect the best of our own values: commitment to respect for individual rights and freedoms, racial equality and integration, economic productivity and growth leading to a better life for its citizens.

This year, under the Continuing Resolution (CR), we fell $15 million short of the $75 million we requested for 1983 as part of our pledge to provide $75 million for the 3 years 1982–84. I hope this Committee will assist us in keeping that pledge in 1983 and in 1984 by giving Zimbabwe the funds we are requesting.

Recently widely-reported events in Zimbabwe may lead some to question whether we should keep our commitment. I hope this Committee will understand that it is critical that we remain engaged in Zimbabwe's future. Zimbabwe is a new nation whose leadership faces many competing and simultaneous pressures and demands. Its government has committed itself to a pragmatic course of economic policy, to the rule of law and to the path of reconciliation and respect for international frontiers. We take those commitments seriously, and have made our views known in an appropriate manner when we have concerns about developments in that country.

Moreover, we are sensitive to public perception in this country of our relationship with key countries in Africa—such as Zimbabwe and South Africa—just as we are in other regions.

Having said this, we are also deeply aware of the long-term and complex nature of the process of building stability and fostering peaceful change in southern Africa. If we expect to achieve instant results or consistent improvement, we are bound to be disappointed. Our policy recognizes this reality and the importance of this region to the West. To a certain degree, we are exposed to the risk of occasional disappointment. This is because we have assumed an active, positive and conciliatory stance toward the states of southern Africa, not a self-righteous, admonitory one. Africa's political future will hinge in substantial part on the ways in which the deep tensions of southern Africa are resolved.

It is for these reasons that this Administration has adopted a policy of constructive engagement in southern Africa. There is no other responsible course for American policy. The goal we seek in southern Africa involves Zimbabwe as well as South Africa, Angola as well as Namibia, Botswana as well as Mozambique. Our reason for not turning our backs on Zimbabwe is the same reason for not turning our backs on South Africa: the price of success may be great, but the price of failure cannot be borne.

Other southern Africa programs

The compelling nature of our interests in southern Africa demands a response that indeed encompasses all of the states of the region. It is for this reason that we are requesting assistance both for specific countries and for a southern Africa regional program.

In Botswana, our objective is to strengthen that country's border security and thus provide a deterrent to destabilizing forces in the region. Past unresponsiveness on the part of the United States to Botswana's security concerns contributed to the formation of a limited military supply relationship with the Soviet Union. We view our FMS and ESF requests for Botswana as important to the continued ability of this moderate, democratic, multi-party state to make an active, positive contribution to the peaceful evolution of the region. We are requesting $10 million in ESF and $11 million in MAP/FMS guarantees in 1984 as well as an additional $2 million FMS in the fiscal year 1983 Supplemental to assist Botswana with building an adequate air defense, while at the same time helping to meet the developmental needs of its people. Our ESF program is focused on the country's agriculture and health sectors.

Our fiscal year 1984 request for $20 million in ESF for Zambia is based on equal concern about the continuing ability of a key player to sustain an important role in the evolution of events in southern Africa. Zambia has undertaken a positive approach to efforts to find a solution to the Namibia problem and other regional issues. The strategic location of Zambia, its mineral wealth in cobalt and copper, and the support it has lent to the concept of peaceful solutions to the conflicts of the region make it important that we contribute to efforts to help that nation survive its current economic difficulties. Our programs in Zambia are principally related to agriculture, and specifically focused on increasing productivity and reducing imports.

The Southern Africa Regional Program for which we are requesting $40 million in ESF in 1984 is designed to complement our country-specific programs in addressing developmental issues that must be resolved if regional stability is to be achieved. The program is specifically directed toward two goals: (1) assisting the regional development efforts of the black-majority ruled countries in the Southern Africa Regional Coordinating Conference (SADCC) in the fields of transportation, communications and manpower training and (2) educational assistance to South African youth disadvantaged by the practice of apartheid in South Africa's educational system. For example, 116 students are currently studying in the United States and we hope eventually to place over 400 disadvantaged South Africans in U.S. Universities.

EAST AFRICA

Our interests in East Africa and the Horn reflect to a great extent the region's considerable strategic significance to the West because of shipping and oil tanker lanes leading to Europe. Somalia and Kenya are critical to our logistical supply systems in the event of a security crisis in the Gulf or Middle East and Sudan plays a key role in containing Libyan aggression in East and Central Africa. The three recipients of a major portion of our total assistance to East Africa are Sudan, Somalia

and Kenya, which together account for $498.9 million of the total $520.6 million (including DA, Public Law 480 and SA) we are requesting for East African and Indian Ocean countries.

Sudan

Sudan's greatest needs are economic, but recent events involving Libya make clear the need for traditional military assistance as well. We are asking for $25 million ESF for Sudan in the Supplemental as well as $57.5 million FMS/MAP. This will mean $25 million more in ESF for 1983 than we originally requested for Sudan, but $24.5 million less in FMS/MAP in 1983 than we had originally requested. For 1984 we are requesting $120 million ESF and $60 million MAP monies.

Our emphasis on quick-disbursing ESF money stems from our concern that the most serious threat to stability in Sudan is internal political discontent as a result of poor economic conditions. Over the past 18 months Sudan has implemented a series of politically difficult economic reforms and far-reaching austerity measures. Despite these efforts, and despite increased agricultural productivity, Sudan's balance of payments gap remains close to the 1981 level, when the United States gave $100 million in a worldwide effort that provided $800 million to Sudan. The World Bank's recent reappraisal of Sudan's debt commitments in light of declining world prices for Sudan's principal exports has led the Bank to conclude that Sudan will need continued high levels of assistance for several years. As Sudan's closest Western friend, we are seeking to maintain the level of assistance needed both to help sustain Sudan through this difficult period and to encourage other countries to be as supportive as possible.

Our diplomatic efforts, supported by our significant assistance level, were instrumental in securing about $780 million in new aid commitments from donors at the World Bank sponsored Consultative Group meeting in mid-January. This aid level will enable Sudan to implement the first year of a 3-year, World Bank designed recovery program. It has also, in combination with devaluation and other economic reforms by the Sudanese and with the debt relief provided by Sudan's creditors, made a new IMF economic stabilization program possible.

Somalia

As one of the countries on the Horn with which we have a facilities access agreement, Somalia's stability and independence are important to Western interests in the Horn. Somalia was attacked last year by Ethiopian forces which continue to hold two towns in Somali territory. Somalia's own past history of irredentism has contributed to tensions in the region and raised questions on the part of some about possible provocations by Somalia. In this instance, however, we believe Ethiopia was the aggressor. Ethiopia possesses massive amounts of Soviet arms and has the largest standing army in Sub-Saharan Africa, one much larger and better equipped than the Somali army. It also has a security treaty with Libya and South Yemen. The apparent purpose of this incursion was to try to provoke the downfall of the Somali Government.

The case of Somalia is a vivid illustration of how our military assistance has helped a friendly country cope with hostile acts by a neighboring country. Last summer Soviet and Libyan-backed Ethiopian forces attacked Somalia along the common border and penetrated Somali territory. We responded to Somalia's request for assistance to defend its territory with two emergency airlifts. Our assistance reinforced our commitment to help a friend in protecting its territorial integrity and demonstrated to our adversaries that we will not stand idly by when hostile forces engage in such flagrant acts against our friends.

It is in this context that we are seeking $9 million MAP/FMS for Somalia in the 1983 Supplemental (to bring funds up to the $30 million we originally requested) and $35 million ESF and $40 million MAP in fiscal year 1984. Our military assistance is geared toward enhancing Somalia's ability to deter Ethiopia attacks.

ESF monies will provide short-term balance of payments relief through a CIP directed at providing raw materials, spare parts and the capital equipment necessary to rehabilitate the agricultural sector. Funds will also be used to help finance work on Kilamayo port.

Kenya

The August 1982 coup attempt in Kenya raised critical questions about the viability of a country which has been viewed by the West as one of Africa's success stories and as key to the protection of Western strategic interests in the region. The coup attempt, however destroyed neither our relations with Kenya nor civilian institutions in that country. What the coup did was to force Kenya and the Western com-

munity focus on the interplay between economic and political stability, the need for economic reforms in Kenya and the vulnerability of even the most successful of developing nations when faced with a worldwide economic crisis.

We are asking for $19.5 million FMS/MAP in the Supplemental to reach the $35 million level we had originally requested. For 1984 we are asking for $35 million MAP/FMS and $42 million ESF. The FMS/MAP funds will be used in part to help maintain the F-5 and helicopter programs, as requested by the Kenyan Government. The ESF monies will be used for a Commodity Import Program designed to finance items crucial to the agricultural production process. The purpose is to ensure that the foreign exchange shortages now affecting Kenya do not have a harmful impact on food and export crop production. The counterpart funds generated by the CIP will be used for credit programs, extension services and other activities directed to farm production.

West and Central Africa

Our security interests in West and Central Africa focus on two concerns, the continued stability and viability of Nigeria and the needs of nations facing threats of subversion or outright agression from Libya. Nigeria is one of our country's primary sources of imported oil and is a dominant economic force within the 16 nation Economic Community of West Africa States (ECOWAS). Due to the sharp drop in world oil prices Nigeria faces a precipitous reduction in its budgetary revenues and foreign exchange, which is having a severe impact upon its domestic economy. While we have no economic or security assistance programs for Nigeria, and none are contemplated for fiscal year 1984, we will give sustained attention to Nigeria's economic difficulties in our continuing high level dialogue with this important country in the months to come.

Chad

Chad is one of two countries in Africa (the other was Uganda under Idi Amin) in which Libyan troops have openly intervened in an attempt to impose a government to Libya's liking, which it did from December 1980 until November 1981, when Libyan forces withdrew under pressure from the OAU. The United States on that occasion allocated $12 million for airlift and support of Zairian and Nigerian contingents in the OAU Peacekeeping Force. We also provided $17.8 million to Chad in fiscal year 1982 for emergency economic assistance, including food aid. Since then we have joined a multidonor effort to revive Chad's war-ravaged economy and central government operations. We plan to provide approximately $10 million for food and humanitarian assistance in fiscal year 1983 and have requested $9 million in DA in fiscal year 1984. Without this help Chad will have difficulty withstanding continuing Libyan subversion and the threat of a second military incursion. Although we look to France and other allies to provide Chad with needed security assistance, we are seeking $50,000 in IMET for fiscal year 1984 and are keeping Chad's needs under regular review in light of the recently heightened Libyan menace.

Niger and Senegal

Niger and Senegal are two moderate states in the Sahel under regular political, economic and security-related subversive pressures from Libya, but which publicly resist them. Niger shares a common border with Libya and stands in the way of Colonel Qadhafi's pan-Saharan expansionist ambitions. Senegalese troops had to help put down a bloody coup attemp by Libyan-inspired revolutionaries in neighboring Gambia, which has led to the formal creation of the Sene-Gambian Federation, in large part because of common security needs caused by Libya's efforts at subversion. To meet Niger's additional requirements, we are requesting $1.3 million in FMS guaranty and $2.5 million in MAP in fiscal year 1983 Supplemental funds and $5 million in ESF in fiscal year 1984. We are also seeking to assist Senegal at this time of particularly urgent need with a fiscal year 1983 Supplemental request for $2.5 million FMS guaranty and $2.5 million MAP; $10 million in ESF in fiscal year 1984 is also requested.

CONCLUSION

At a time when domestic budgetary constraints demand scrupulous examination of any proposed expenditures, we all face difficult decisions with regard to requests for foreign assistance. The amount we are asking for Sub-Saharan Africa, however, comes to about 14 percent of the total foreign assistance budget request. It is the minimum the United States needs to sustain its part of the commitment we have

undertaken with our allies to further Africa's development. In asking you to support this request, I also ask you to keep in mind the gravity of Africa's need and the importance to our own future, in terms of export markets, trade and jobs, not to mention meeting humanitarian concerns which are central to the Western tradition, of helping Africa to survive the threat to its political and economic growth and stability that is posed by the current economic crisis.

Senator KASSEBAUM. Thank you, Dr. Crocker.

Mr. Ruddy, do you have a statement on the work of AID, as Assistant Administrator of the African Bureau for the Agency for International Development?

STATEMENT OF HON. FRANCIS S. RUDDY, ASSISTANT ADMINISTRATOR FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. RUDDY. I do, Madam Chairman. I propose to summarize it and submit the complete statement for the record.

Senator KASSEBAUM. Thank you.

Mr. RUDDY. Thank you, Madam Chairman.

I am here today to outline the objectives of the U.S. AID program in Africa.

We intend to use development assistance, the Economic Support Fund, and Public Law 480 food resources to combat hunger, diseases, and poverty while at the same time assisting African nations to achieve equitable economic growth.

We intend to reach our objectives by supporting the encouragement and the adoption of national policies which encourage Africans to expand agricultural production, especially food crops; which support the development of self-sustaining institutions that respond to the agricultural health and education requirements of all African nations; and which encourage the development of self-sustaining private sectors in these countries.

There are no easy answers. African economic performance has seriously deteriorated. Seventy percent of the people in Africa depend on the agricultural sector for their livelihood, and that sector has grown by less than 2 percent per year over the past decade.

Africa also has the highest infant mortality rate in the world, and the lowest life expectancy.

Given all of these figures, there is some cause for optimism in that Africa does have the capacity to produce its food needs at home. Millions of acres of land can be brought under irrigation. Women provide the major share of agricultural labor in Africa, and we think that the integration of women into economic and social development is important if we are going to have significant agricultural productivity.

School enrollment that now includes 63 percent of the primary-school-aged children and an enhanced life expectancy from 39 to 47 years in the last 20 years are indications that the human resource base is expanding.

More importantly, the basic issue, which is the issue of food production, is not only a priority of AID. It is a priority that the Africans themselves have expressed in such things as the Lagos Plan. That gives the United States and other donors an unprecedented opportunity to work with Africans toward this common goal.

There are lots of internal problems, such as infrastructure that does not exist or that is allowed to deteriorate. Lack of institutions and a very large work force, largely untrained, mean that Africans themselves are not able to perform the kind of work that needs to be done.

These kinds of things, to some degree, explain low income levels in Africa. There are also outside forces which are uncontrollable by the Africans—things like global recession, and increased prices for what must be imported. But the No. 1 cause of Africa's inability to grow economically is unrealistic government policies. While that is bad news right now, it is good news in the sense that the African nations themselves in many cases have the capacity by changing these policies to have a direct effect on their productive capacity.

Things like artificial controls on agricultural necessities, like fertilizer, the restriction of sales on farm products, unrealistic pricing policies at the farm gate, limit production very much, and these are the kinds of things that can be changed.

It is for this reason that we think the policy dialog plays so important a role in change in Africa, and why it is so important to our own plans.

Improved agricultural, administrative, and pricing policies which emphasize incentives and which in turn stimulate production are very important to us. We believe that institutions have to be created which allow the Africans to do this and to get in the habit and frame of mind of solving the problems that exist in Africa, or of creating the human capacity to keep on solving those problems and to come up with new solutions to new problems.

We think a great many of the specific problems we are dealing with in Africa can be addressed primarily at the policy level. It is for this reason that we also think, as does Dr. Crocker, that the economic support fund has been very effective in this dialog. I think it is important to emphasize at this point that when we talk about the economic support fund, we are not talking about something that really is separated from development.

In many respects it is a sine qua non for effective development in many of the countries in which we operate. And we have had results. We have had policy changes as a result of the use of these ESF funds, and I would be very happy to give some examples.

I should like to note, too, that our Public Law 480 assistance has been integrated with our overall development designs. We have tried to give considerable attention to making sure that the food aid that is supplied through our funds in Africa is done in a way that meets current needs but does not act as a disincentive, to tempt Africans away from producing the food they need themselves.

I should also note that we have more than 50 donors currently working in Africa, and it is important that we coordinate with each other, not only so that we can do a better job, but also, quite frankly, so that we can avoid some of the cross-roughing that has taken place in the past among donors.

We have not gotten there yet, but we are members of organizations like Cooperation for Development in Africa [CDA], and CILSS, the Permanent Committee for Drought Control in the Sahel. All these organizations represent efforts on the part of all

donors to make sure that our development dollars go as far as possible.

I should mention that we have had a great many problems in the Sahel, particularly from a management point of view. We have had a number of audits which do not make the Sahel a very great example of management techniques.

But we think over the past 18 months or so we have taken some pretty good steps in dealing with financial management, with putting in place accounting systems, with teaching Africans and our own personnel in the Sahel how to carry out the necessary financial management so that the taxpayers' dollars are well spent.

We have put a great deal of responsibility on our mission directors in terms of the necessity that their financial certification, which they must make personally, be on target, and that they take into account the kinds of problems that historically we face there. While the situation is not perfect, I think we are making a good deal of progress.

I should note finally that we have a number of countries in Africa with significant economic crises, but of those some are at a supercritical stage. I think of countries like Sudan and Kenya. And in dealing with these kinds of problems, as Dr. Crocker has mentioned, we have made certain by way of an intragovernmental group that has been formed, that the various concerned U.S. agencies are able to get together so that we can speak with one voice on lending our Government's support to these kinds of problems, which in the long run require many governments to solve. It is important that we all know what we are doing, and that we do not go in different directions.

I think I will stop there, Madam Chairman. Thank you.

[Mr. Ruddy's prepared statement follows:]

PREPARED STATEMENT OF HON. FRANCIS S. RUDDY

I am here today to outline the objectives of the U.S. aid program to Africa. The budget presented to you is an integrated foreign assistance budget. We intend to use Development Assistance, Economic Support Funds and Public Law 480 food resources to combat hunger, disease, and poverty while at the same time assisting African nations achieve equitable economic growth.

These programs seek to reach these objectives by supporting:

(1) the adoption of national policies which encourage Africans to expand agricultural production, especially food crops;

(2) the development of self-sustaining institutions that respond to the agricultural, health, and educational requirements of Africa nations; and

(3) the development of self-sustaining private sectors in these countries.

There are no easy answers. African economic performance has seriously deteriorated. Seventy percent of the people in Africa depend on agricultural products for their livelihood. Agricultural production has grown by less than 2 percent per year, a rate that is 0.8 percent less than the population growth rate. Africa also has the highest infant and child mortality rates and the lowest life expectancy of any region in the world. But there is cause for optimism. Africa does have the capacity to produce food at home. Africa has tremendous economic potential. Millions of acres of land can be brought under irrigation. Women provide the major share of agricultural labor in Africa, and effective integration of women into economic and social development can increase agricultural productivity. School enrollment that now includes 63 percent of primary school age children and an increased life expectancy from 39 to 47 years in the last 20 years are indicative of a potentially more productive human resources base. Maintaining and expanding these gains in health and education will require expansion of the directly productive sector and tax bases of the African economies. We and the Africans know this. More importantly, increased food production is not only our priority, it is a priority for the Africans themselves,

and that gives us an unprecedented opportunity to work together for a common goal.

Internal problems such as underdeveloped African infrastructure, a lack of institutions and an untrained work force to some degree explain low income levels in Africa. External and uncontrollable forces such as the global recession are another part of the explanation. But the number one cause of Africa's inability to grow is unrealistic government economic policies. These are policies like overvalued exchange rates that encourage imports and discourage domestic production; agricultural pricing policies that undervalue agricultural products; artificial controls on agricultural necessities like fertilizer or seeds by inefficient marketing boards, and restrictions on the sale of farm products. These kinds of policies shackle productive energies, dry up incentives, and slow the pace of technical change in what should be the most dynamic growth sector throughout much of Africa and, unaltered, will continue the economic stagnation and decline in Africa. The need for policy reform is emphasized by projections of the World Bank that even with substantial global economic recovery, Africa will struggle to maintain current living standards during the 1980's.

That is why the Africa Bureau is giving increasing emphasis to policy change. Improved agricultural, administrative, and pricing policies emphasizing incentives will stimulate production. Institutions must be created which provide the farmer with a continuous flow of research and technology which is effectively disseminated. They will also facilitate the adoption of improved production techniques which make traditional assistance programs more efficient. For example, AID is instrumental in creating agricultural research stations, extension systems and credit institutions. We found that although high yielding seeds might provide the technical basis for increased production, actual increases depend upon the availability of fertilizer and price levels which make use of fertilizer and improved seed economically sensible for the farmer.

The Economic Support Fund (ESF) has been effective in the policy dialogue. The dialogue demands discretion and realism about the resources and length of time required to bring about changes. It is important to remember that policy change questions must be considered in the political context of each country. Even so, policy improvement and greater reliance on market mechanisms, particularly in agriculture, are occurring with increasing frequency. By way of example, in Zimbabwe, the government is effecting reforms to encourage the creation of private rural savings organizations which will mobilize resources for rural businesses and small farmers. In Somalia, the authorities of the state trading monopoly have been trimmed. Private importers are now allowed to import basic goods. The state agency is left to import goods only for the public sector entities such as the military and schools. The government has reduced the role of its marketing monopoly. Farmers may now sell to private traders at open market prices and are receiving two to three times the official price for their crops. The government has closed down four state enterprises, including those handling livestock, building materials, textiles and fish. Both of these ESF program countries are experiencing substantial development benefits as a result of these changes.

Public Law 480 assistance is important in dealing with Africa's growing food crisis and increasing inability to finance additional commercial food imports. Title I and Title III programs provide a good mechanism for encouraging policy change, as long as we make sure these programs do not become disincentives to production.

The development problems and fiscal crises on the continent demand close coordination among the more than 50 donors currently in Africa to avoid duplication and conflict. AID coordinates its efforts on three levels: with other donors, with African country groupings and with other U.S. Government agencies.

The CDA (Cooperation for Development in Africa) and the club du Sahel are representative of donor coordinating efforts. During 1982 AID, working with Britain, Belgium, France, Canada, Germany and Italy, reoriented agricultural research to focus on small holder farming systems. We know that small farms produce more per acre than large farms. Our research, therefore, stresses productive technology for the small farm holders. This year programs will be developed to strengthen national research systems in five separate ecological zones. The CDA health sector committee, chaired by the United States, is now implementing an Africa-wide project to combat childhood communicable diseases which are responsible for much of the mortality among Africa's children. AID continues to work closely with African groups such as CILSS (the Permanent Institute Committee for Drought Control in the Sahel), ECOWAS (the Economic Community of West African States) and SADCC (the Southern African Development Coordination Cooperative). With the other Club du Sahel donors, we are supporting the establishment of a CILSS organization to

collect, analyze and disseminate weather and hydrological data for the Sahel. Much improved land-use and environmental decisions for increasing production will ultimately result from the effort.

On the subject of the Sahel program, we have taken action to improve program and financial management. In the past year we have reviewed accounting systems, training personnel in financial management, and carefully monitored the program. I am keenly aware of the Congress' concern about the Sahel program, and I want to reassure this Committee that I take the need to continue improving program management very seriously. I have, for example, determined that we must expand the AID Inspector General's audit staff in West Africa to enable more rapid and thorough coverage of the Sahel program. In one case, e.g., Mali, I have cancelled an ongoing project because of deficiencies in administration of the activity. We are continuing to review our own staff capabilities to determine where additional personnel are required to improve financial management and we are undertaking efforts such as the Sahel Financial Management project to increase the capacity in the host government institutions themselves.

The African Bureau and its counterparts in the State Department and Treasury, and the U.S. Governors at the IMF and IBRD, have formed a working group to analyze the economic crises affecting several key countries in Africa so that the U.S. Government speaks with one voice on these important issues. This has already led to substantive improvement in assistance in Sudan, and we are optimistic about Kenya and Zambia.

We believe that reinforcing the traditional assistance program with improvements in macro economic and sector policies of the African countries along with improved donor coordination can accelerate the development of Africa's considerable resources. This effort can also lead to higher levels of growth and a lasting improvement in the quality of life of African populations.

In fiscal year 1984 we are proposing that the United States provide $963.7 million in assistance to Africa for development and country assistance and Public Law 480.

The $350.3 million in Development Assistance includes:

$149.6 million for agriculture and rural development;

$30.2 million for health activities;

$33.2 million for education and human resources development;

$23.7 million to address selected development problems, primarily energy and the private sector;

$10.6 million for population planning; and

$103.0 million for the Sahel, primarily for agriculture (food production and environmental reclamation), health, population and related training.

In addition to Development Assistance we are requesting $409 million in Economic Support Funds, primarily for programs in Southern Africa and the Horn of Africa.

In Public Law 480 we are requesting $204.4 million in Public Law 480 with $132.5 in Title I and $71.9 million for Title II.

Senator KASSEBAUM. Thank you.

Mr. Lewis, we will be anxious to hear your views as Director of the U.S. Information Agency's work in Africa. I regret that a vote has just been called, but if you do not mind, I think we will go ahead, and I will wait until the last possible moment to go over to vote.

STATEMENT OF ARTHUR W. LEWIS, DIRECTOR, OFFICE OF AFRICAN AFFAIRS, UNITED STATES INFORMATION AGENCY

Mr. LEWIS. Thank you, Madam Chairman. I appreciate this opportunity to discuss the administration's plans for USIA's activities in Africa in 1984. For political, strategic, economic and humanitarian reasons, the United States has increased its efforts in strengthening positive, bilateral and multilateral relationships with sub-Saharan African nations.

The United States Information Agency activities have underscored the U.S. interest in increasing private sector trade and investment, continuing economic assistance to African development,

defining the nature of Soviet expansionism, and reinforcing the importance of ties between the United States and democracies in Africa.

In fiscal year 1984, the Agency will conduct information and cultural programs in 35 African countries. Agency operations will be conducted by 44 of our posts staffed overseas by 99 Americans and 360 foreign national employees, including 4 who were funded under the special foreign currency program.

These operations will be directed and supported by a Washington-based staff of 25 employees, which has been organized into 5 subregional management units reflecting affinity of program interests and geography, and providing for commonality of administrative support and focusing of programs.

An fiscal year 1984 request of $20,686,000 reflects an increase of $2,740,000 to maintain African programs at levels established in fiscal year 1983 and to expand programing in Nigeria by opening a post in Enugu, and to fund on a contingency basis the cost of opening new country posts in Luanda and Windhoek.

As elsewhere in the world, USIA operations in Afrcia use the techniques of public diplomacy to explain U.S. foreign policy and to portray American society. Specific themes we stress in Africa include U.S. support for peaceful resolution of African problems, encouragement of African solutions for African problems, opposition to Soviet and Soviet surrogate intrusion, America's interest in African economic development, and the responsiveness of America's free and open society in providing social, political, economic, and racial justice and equality for all of our people.

In support of these public diplomacy initiatives, Agency personnel employ a variety of communication tools including mainly personal contact, academic exchanges, media products and visiting U.S. experts who lecture lead seminars, participate in workshops and enter into dialog with Africans.

Exchanges, of course, form the heart of our programs as their impact is of a long-term nature and create a fuller basis for understanding. In fiscal year 1984, we anticipate that approximately 368 American and African scholars will be exchanged under the Fulbright program; about 70 U.S. speakers and specialists will tour African countries. Some 300-odd African professionals and government leaders will visit the United States under the international visitors program. And as many as five performing arts groups will visit the continent to perform for African audiences and to lead workshops. The USIA, at the same time, supports some 30 private organizations with grant assistance to arrange many of these programs being conducted for African participants.

Racial unrest in South Africa, political and economic turbulence in West Africa and the strategic importance of the Horn of Africa and the Indian Ocean countries are examples of the major African realities that are likely to affect USIA's task in the coming decade.

Successful USIA programs in Africa will require continuing imaginative initiatives to better tell America's story in ways which address African concerns. Successful USIA programing will also require adequate staffing and funding if we are to meet the challenges of the next decade.

We appreciate the support that you and this committee have given us in seeking funds for our activities, and we are ready to respond to any questions that you may have.

Senator KASSEBAUM. Thank you, Mr. Lewis. Let's start on a few questions and see how it goes before I have to go vote. I think Senator Tsongas is coming in a minute, too.

I very much appreciated the testimony of all three. It is of concern to us to see the decline in agricultural production, and the state of the economy in sub-Saharan Africa. I think also, it is important, as you stressed, Dr. Crocker, to realize that only 14 percent of our foreign aid budget goes to 46 nations. It is a small amount in the overall foreign aid authorization, which does have to stretch a considerable distance.

But I think it is our role here in the committee to analyze with you whether this money is being effectively used and if it could be used in other ways that perhaps could have greater effectiveness. That is the thrust of most of my questions.

I was struck, Mr. Ruddy, when you were saying that you attributed on the whole the situation in Africa—because I was going to ask what you would view as needing to be done; what role we could play or what role you saw African nations taking that would turn around the economic conditions that exist there. And you said you believed nothing would be more important than a recognition of unrealistic government policies. Am I correct that you attributed this?

Mr. RUDDY. Yes.

Senator KASSEBAUM. I would ask Dr. Crocker or Mr. Lewis if you share in that assessment. And if that is the case, what do we do to use some influence or leverage in having the various nations address these unrealistic decisions that they are making? Whoever would like to answer.

Mr. RUDDY. We are very concerned in AID in dealing in those areas where the needy of Africa, the needy of the world as a matter of fact, are. That is why we are in the countries we are in in Africa. That is also why we are in the program areas in which we spend a great deal of our money. Things like the health sector and, of course, the agricultural sector.

In Africa, 70 percent of the people who earn a livelihood earn it by virtue of agriculture. So what we can do to improve their lot is going to have an effect not only on getting food in their mouths, but also on the productive income and economic growth of those countries. The basic problem, it seems to me, is not solvable today or tomorrow.

One of the things that we know about Africa is that we do not know a lot about the kind of research that has to be done on the kinds of crops that the poor people of Africa eat—millet and sorghum and that kind of thing. Somebody has to do a great deal of work to come up with the kinds of food that the poor people eat that will grow in the various agronomic zones in Africa, to produce crops that will resist blight.

Ted Schultz, the Nobel prize-winning scientist who came and spoke to us at AID last year, is one of a number of people who know that this kind of research really is to be treated like a commodity. To get the results that we were able to with the Kitui

maize in Kenya takes years and years of time, years and years of people'e research hours, and an awful lot of money.

But unless the African governments make a policy decision that this kind of research is a priority, there is not going to be an awful lot of progress. We are still going to be going hand to mouth in the next 20 years.

Senator KESSEBAUM. Pardon me. I am sorry, I am going to have to go vote. There is just about 2 minutes, left, I will be right back.

[Recess.]

Senator HELMS [presiding]. The subcommittee will come to order. I am a poor substitute for Senator Kassebaum, but she asked that I take the Chair until she returns. I checked with staff, and they said that it would be agreeable if I asked a few questions, and I will do that.

Mr. Crocker, I know you are familiar with the former section 720 of the International Security and Development Cooperation Act of 1980. You remember that, don't you?

Mr. CROCKER. It would perhaps help if you would refresh my memory.

Senator HELMS. It required reports on aid to Zimbabwe. And this was repealed in 1981. This section required the President to report to Congress every 60 days regarding the implementation of the Lancaster House Agreement Declaration of Rights. Now, my question is do you think it would be a good idea to consider reenacting similar legislation in light of events now in Zimbabwe?

Mr. CROCKER. Senator, I guess my immediate reaction is that we are fully prepared to provide the Senate and you personally, sir, with our view of the way the program is being carried out. And as often as you were to seek that information. I do not know if we need a special kind of case for one country.

We have programs in 43 countries, as you know. But we are prepared to answer questions you may have today on that subject, and in the future.

Senator HELMS. I understand that, and I am not all that big on requiring reports and certifications and that sort of thing. But apparently, the Congress felt that it was important to have it in 1980 when it enacted such a requirement.

Do you think that Prime Minister Mugabe's statements about the necessity—as he put it—of a one-party state are consistent with the view of Zimbabwe's future embodied in the Lancaster House Agreement?

Mr. CROCKER. Senator, our understanding of the Prime Minister's view on this issue is that he feels that in African circumstances, a one-party system makes some sense. At the same time, he has repeatedly emphasized his commitment to the Lancaster House accords.

So the logic of that, it would seem to me, is that he intends to adhere to them, at the same time, he will seek to persuade other parties to join with him. So it may be possible for him to do that without, in effect, changing the constitution.

Senator HELMS. I appreciate your assessment of what he thinks. What do you think?

Mr. CROCKER. We obviously have a certain system in our country which is a multiparty democracy. We do believe this is a system

which has relevance elsewhere, but we do not think that we can necessarily tell all of our partners in Africa what sort of system they ought to have.

The Lancaster House accords do permit a multiparty system to operate.

Senator HELMS. Well, it is not quite that simple. We had a great deal to do with the fall or ouster of Muzorewa. We played hanky-panky around the periphery. Mugabe is a result of a lot of preferences in this country, and I have to disagree with you if you are saying that we should not address the kind of government he proposes and has.

There are a lot of people in this country talking about Central America and they have no hesitation about it. But when it comes to a Marxist type government, they are silent in seven languages.

Well, in Zimbabwe they have what they call a newspaper trust, don't they?

Mr. CROCKER. I believe so, Senator.

Senator HELMS. Control of the major newspapers is in the hands of the Government in Zimbabwe, and that is tantamount to a Government-controlled press, isn't it? Isn't that what they have?

Mr. CROCKER. There is a degree of government influence. Whether it is directly government controlled in the sense that your question implies I would rather do further digging on that and get you a written reply.

Senator HELMS. How often are opposing political parties in Zimbabwe allowed to have public meetings or rallies?

Mr. CROCKER. I believe there is a procedure for requests for permission to hold rallies, and that that permission has been granted on frequent occasions. But I do not have the detail as to how many there have been. I can certainly look into that for you.

Senator HELMS. But they do require permission?

Mr. CROCKER. They do.

Senator HELMS. Let's look at what the Declaration of Rights signed at Lancaster House provides, among other things. "Article IX: It will be forbidden, except with the consent of the person concerned, to interfere with anybody's freedom of expression." That is pretty clear, isn't it?

Mr. CROCKER. Yes, sir.

Senator HELMS. This freedom will be defined as including freedom to hold opinions without interference, freedom to receive ideas and information without interference, freedom to communicate ideas and information without interference, and freedom from interference with one's correspondence.

Article X: It will be forbidden, except with the consent of the person concerned, to interfere with anybody's freedom of assembly or association. This freedom will be defined as the right of every person to assemble freely and associate with others, and in particular, to form or belong to political parties or trade unions or other associations for the protection of his interests.

Last year Harry Byrd had a luncheon for former Prime Minister Ian Smith. He spoke to several Members of the Senate and to representatives of the media. I was interested that he made no statement critical of Mr. Mugabe, except for opposition to Mugabe's plans for a one-party Marxist state.

What happened when he went back to Zimbabwe? He was detained, his home was searched without his permission, his mail was intercepted and he is forbidden to leave the country. Do you agree that these things have happened? Are you aware of them?

Mr. CROCKER. Yes, sir, we are aware of the fact that his house was searched and there was a question of his passport being taken away from him, at least temporarily. Yes, sir, I am aware of that.

Senator HELMS. I just read article IX and article X of the Declaration of Rights signed at the Lancaster House. Do these actions I have just specified seem to you to be in accord with the Zimbabwe Declaration of Rights?

Mr. CROCKER. I think if we look at the overall picture, we would have to draw a balanced judgment. There definitely have been some areas in which the government, using, I might say, legal instruments inherited from the previous government, has sought to crack down on opposition that it was concerned about, certain forms of opposition. And, of course, particularly when there was a suggestion of a new relationship between an opposition element and outside countries, outside powers.

But I do think it is important to stress that a number of the legal instruments that have been used and are still being used by the Government of Zimbabwe are instruments that have been on the books going back to 15 to 18 years. In this sense, the full objectives of the Lancaster House accords, including the points that you raised, sir, are not being implemented or lived up to.

Senator HELMS. Mr. Secretary, I do not want to be critical of you, and I am not, but think back over your responses to the questions I have asked and you have not even implied any criticism of the Mugabe regime. Do you have none?

Mr. CROCKER. If you ask the question in those broad terms, I am fully prepared to answer, sir. We have made clear, whenever we have seen practices and policies that we have problems with, we have made clear to the Government of Zimbabwe in the diplomatic channel, as we prefer to do, precisely what our concerns were. We have done so at the highest levels of our Government.

That concerns issues such as the rule of law, the right of defendants to legal counsel, the right of people to a fair trial, all sorts of due process kinds of issues which have arisen, as you know, during the past year. We have made clear those concerns at my level and above, and I would emphasize that our Vice President was there within the past few months, and very clearly made our views known on a number of these issues of rule of law.

As concerns other things that are being done in Zimbabwe that we read about in the papers more recently, we have also made very clear our concerns. We cannot condone and do not condone the use of government force, violent means, against civilians, which appears to be going on recently. We have said so both publicly and privately. So I do not think it would be fair to characterize our position as having nothing critical to say about the Zimbabwe Government.

Senator HELMS. What was that last statement?

Mr. CROCKER. As having nothing critical to say.

Senator HELMS. I am talking about your responses here this afternoon. I am not trying to box you in; I am just interested to

note that you said—well, Mugabe thinks this and Mugabe views this, and a special set of circumstances and so forth and so on. I do not think there are special sets of circumstances. It is clear tyranny on the part of a Marxist leader of an African country.

Well, let's go on. Are you familiar with a Mr. Wallace Stutterford?

Mr. CROCKER. I know the name, yes, sir.

Senator HELMS. He is a member of the Zimbabwe Parliament, is that right?

Mr. CROCKER. Yes, sir.

Senator HELMS. And a member of Ian Smith's party. Now, my information is that he met with eight leaders of black parties to discuss in private the trend toward a one-party state. Do you know what happened to him as a result of that?

Mr. CROCKER. I believe he was detained and questioned. Yes, sir.

Senator HELMS. He was arrested, right?

Mr. CROCKER. Yes, sir.

Senator HELMS. His home was searched without a warrant, right?

Mr. CROCKER. All the legal facts I am not certain I have in my head, but we could certainly get you a written response if you wanted us to confirm that or comment on it.

Senator HELMS. He was put in jail for a year.

Mr. CROCKER. That is right.

Senator HELMS. Because he met with those party leaders. Now, I go back to the Lancaster House Agreement. Either it means something to us or it does not. That is the point I am approaching. The information, Madame Chairman, available to me is that Mr. Stutterford was tortured, deprived of medicine necessary for his physical condition, and there was not one charge brought against him. Finally, he was taken to court after a year of being held without charges. The government witnesses who had signed sworn statements against him recanted in court.

Now, you correct me if anything I am stating here for the record is wrong. And the government witnesses said they had been forced to swear falsely. Mugabe's own judge was forced to acquit him and award him damages which were subsequently taken away by ex post facto law. Now, I just use that as another example.

Then there was Mr. Dennis Walker, another member of Parliament. He was out of the country at the time of Mr. Stutterford's arrest. And again, I want you to interrupt me if I am wrong in any of my facts. He had played a role in trying to alert the world about the situation in Zimbabwe, and he was told that if he returned he, too, would be arrested. He returned clandestinely for a short period and then appeared in Parliament. His house was searched illegally and because of fear of his life, he fled the country and he now lives in exile in England. That seems to me to be a clear violation of the declaration of rights.

Now, to proceed a little bit further, Mr. Mugabe used a law or laws intended only for wartime emergencies, and he passed a law saying that the property of anyone declared to be "an enemy of the people" would be confiscated. Within a month after passage of this act, 8 out of 20 members of the opposition party in Parliament,

withdrew and declared themselves independents. Naturally, they were large landholders.

Would you say that these facts—and if they are not correct, I would like to know it—amount to political intimidation and a violation of the declaration of rights at Lancaster House?

Mr. CROCKER. Senator, I would have to check the facts in that particular case and get you a written reply. Obviously, if it does involve without due process any government seizure of private property, it would seem to run against the general principles in the Lancaster House accord.

If I might add a point, it has been our general impression in looking at the record of this Government that there has been a considerable effort made to provide confidence to private property holders and confidence to the private sector, including, of course, private corporations and private farmers.

So while I cannot take issue with your statement for the record here, I would certainly like to check it and get back to you. Our general view is that there has been a respect shown for the private sector in the main.

Senator HELMS. All right, sir.

I would prefer to have the answers now, but I recognize it is not possible for you to have everything in your head, and I would rather for you to have the opportunity to check and see if my facts are correct. If they are not, I want to know it. If they are correct, I would like to know what the position of this Government is with respect to each one of the items that I have mentioned. With the permission of the Chair, I would like to continue for another 2 or 3 minutes.

Senator KASSEBAUM. Yes.

Senator HELMS. Thank you.

Let me say that Nkomo is not exactly my dish of tea. However, I still remember his claiming credit for shooting down a civilian plane with a rocket. He is, regardless of what I or anyone else thinks of him, he is an important political leader in Zimbabwe.

Recently, Nkomo was prevented from leaving the country. He and his people had been harassed. In the paper either this morning or yesterday are reports that he is in hiding. I want to add that to the litany of things that I want you to comment on, if you do not want to comment on it now.

Are you in a position to estimate, if you cannot give me the exact figure, how many people are in detention without trial in Zimbabwe today?

Mr. CROCKER. I would not have a figure that I could give you, no, sir. I do not have a ballpark figure on that. We do not have the impression that there are a great many people in detention without trial. There are certainly some, I would imagine, but we would have to check that for you.

Senator HELMS. Now, you are asking for $75 million in economic support funds. I guess what I am driving at, Mr. Secretary, is would this money go to support a one-party Marxist system that Mr. Mugabe is building?

Mr. CROCKER. Senator, I think that we should step back for a moment to look at what we pledged to support in 1981. We made a 3-year commitment at the Zimcord Conference in Zimbabwe of $75

million a year for 3 years. We made it in the context of Western donor effort, overwhelmingly Western donor effort, to seek to stabilize that economy and assist it during the transition that it was undergoing.

We believe that our program in Zimbabwe has had significant impact and in fact has become a model program in the eyes of many other donors, precisely because it has been fast in its effects in getting resources to the foreign currency starved private sector, and bolstering what we believe on balance is a pragmatic economic program which means a mixed economy.

And despite the public statements often made that this will be a Marxist system, if you look at the actions and the policies in practice, there has been significant evidence of a desire by the government to reassure the private sector, to reassure the white minority. This has produced, in fact, dramatic results in increased agricultural output by both the white farming community and the black farming community so that there are some results from our program.

Looked at then, if I could summarize, in the economic sense we believe the program has been remarkably effective. Obviously, we are not interested in supporting one-party police states when there are better alternatives. We have made our views known about any trend toward government repression, and we do not believe that those sorts of means will solve Zimbabwe's problems. We have said so.

Senator HELMS. Well, you will acknowledge that the situation has changed since that 3-year commitment was made. Certainly there was not the perception, let alone the reality, of what has been going on.

I will tell you this, Mr. Secretary. I believe, assuming the facts I have stated to you and will state in the next round of questions, were made known to the American people along with a little ballot—do you want to send $75 million more, or do you not want to send it—I think I know how the majority of them would vote. They would be right.

Madam Chairman, I will pause now and will not dominate the questioning.

Senator KASSEBAUM. Thank you, Senator Helms.

I would like to add to that, if I might, because I would agree with you. I think the American people would be very troubled by that. I think actually all of us who have followed the emergence of Zimbabwe through the tragedies of the war there are really very saddened to see what is happening, and as you know, much of it stems from a great tribal hatred that has existed there and continues to exist, and that is playing havoc on the present situation.

Senator HELMS. I certainly cannot disagree with that. You were not here for most of the examples that I stated to the Secretary. They are not tribal disputes. That is an exercise of raw tyranny.

Senator KASSEBAUM. It is the exercise of the Prime Minister at this point, but it stems from, I think, still a tribal hatred which perhaps he is not going to be able to control. And it does not mean that he is doing it the correct way.

Senator Tsongas.

Senator TSONGAS. I somewhat hesitate to follow Senator Helms, because having been attacked from the right, you are now going to get attacked from the left.

Senator KASSEBAUM. Then you can come back to me, and I will be in the middle.

Senator TSONGAS. You will walk away thinking that you must be correct if you are attacked from both sides, so I am a little bit at a psychological disadvantage here.

Let me say that a colleague of mine once said—you know, the problem of human rights considerations, and our commitment to it is that the conservatives only argue about human rights violations of the left, and the liberals only argue about human rights violations of the right. And he said we will only have a credible policy if those on the right criticize right wing regimes, and those on the left do the same thing on left wing regimes. And I always thought that was a rather remarkably profound statement, not that I have been a particular exemplar of doing it right.

The point is simply that if what we are worried about in one country also applies in another, we should so state, irrespective of the ideology. I am sure you took notes on that, and you are delighted I am using up my time in drivel rather than asking specific questions. [Laughter.]

Let me get to some specific questions, if I might. Two years ago you came into my office and before this committee and wooed us with the theory of constructive engagement. And many of us who had been very active in the field of African affairs were so taken by your sincerity in what seemed to be logical, if arguable, position that we have, as you know, for 2 years not been involved in Africa. The most I have done in 2 years was send a quilt to Winnie Mandela, which you have to admit is certainly a low-profile involvement with African issues.

Two years have passed, and I must say that I cannot honestly conclude that we are better off in Africa now then we were 2 years ago. Do you think that we are?

Mr. CROCKER. Senator, I think, first of all, 2 years is the time to begin things and lay a basis, not necessarily a time to draw conclusions. But that is obviously a bit of a copout, and I will try to answer your question.

Senator TSONGAS. I will remember that when I get to my second term; 6 years is not enough time to do that.

Mr. CROCKER. I do think we have accomplished a couple of very major things, including to reestablish the basis and the structure for the whole effort to negotiate a Namibia settlement. That basis remains, as far as we are aware, the only credible basis for seeking such a settlement, and we are still at it, giving it every effort we have.

Second, I think we have made it abundantly clear to all parties in southern Africa that we are determined to be credible as a partner and as an interlocutor to all of them. There are those who have chosen, willfully in my view, to interpret constructive engagement as a policy of being nicer to South Africa.

That is a grotesque distortion of this policy. We are trying to have productive relations with everybody. We are trying also to indicate that we will not have double standards for anybody. We

have not protected the Government of South Africa from criticism of its human rights policies which we object to, nor have we protected the Government of Zimbabwe from the same kind of concerns. Where we have had them, we have spoken out.

The same applies to the issue of violence across boundaries in southern Africa. We have said there can be no double standard on sovereignty, and we mean it. No one's boundaries are more sacrosanct than anyone else's, and we believe that our effort is to reduce the violence and to make peace, to reduce violence from all directions.

So I think we have established some premises here and some points of view which are increasingly understood by the key parties in the area. I cannot point to a whole series of peace treaties, but we are working on a number of fronts vis-a-vis Zimbabwe, Mozambique, of course, Angola and Namibia, and we are laying a basis for the future.

Senator TSONGAS. I have yet to meet a black African leader who believes that our posture in black Africa is better today than it was 2 years ago. Would you contest that point?

Mr. CROCKER. I think we have to be realistic and recognize that an awful lot of what goes on in the arena of diplomacy is designed to bring pressure upon us to use influence which many believe we have, which many exaggerate, because they know that we are the key to solutions in southern Africa, and they perhaps attribute more to us than we really can accomplish. Therefore, it is natural that we will be held up to a certain standard. It is natural that we will be pressured publicly, particularly to do things that we either cannot do or which we are trying to do quietly.

In that sense we are taking some heat. We can live with that. It is results that history will judge us by, including African history and I am prepared to stand up before that judge.

Senator TSONGAS. Do you know when the judgment will be?

Mr. CROCKER. I do not think it is going to be in early 1983, Senator.

Senator TSONGAS. Will I live long enough given actuarial expectations?

Mr. CROCKER. I expect we both will, Senator, yes.

Senator TSONGAS. It is very difficult to be an American and to argue the current policy. For example, part of your answer was that the limit to how much we can effect change there—do you believe that the South African Government is sincere in wanting to bring about a resolution of the matter of Namibia; and two, if that is the case, why did we complicate it by doing, as they say we did, introducing the issue of linkage? Assuming it had any impact on the issue negatively by the introduction of that concept, why did we do it? And then you can go back to the first question.

Mr. CROCKER. If I could preface my answer by saying on the issue of the results of our policy, I think it is—to be fair, one has to ask what have happened in this region if we had not had this policy? What assumptions is one making about the effectiveness of the previous policies, not only on Namibia but other issues in the region?

I think to be fair one has to recognize that there was a previous effort over 4 years which produced a great deal of paper and a

great deal of plans, very important plans that we are still working on ourselves, that did not produce an agreement.

So to put the question solely in terms of what have we achieved without reference to the alternatives I think is a bit of a distortion.

To answer your question on South African motivations, I do not believe that the South African Government has an inherent interest in a settlement as such. What it has an interest in presumably is a settlement that is not suicidal from their point of view and which gets this problem resolved in a way that does not lead to the political suicide of the current Government of South Africa.

The same can be said about the Government of Angola. No government is going to be interested in a settlement just for the sake of a settlement without looking at its content. In that context there has been a lot of back and forth about who brought the Cuban issue into the discussion. The Cubans have been a factor in calculations about this whole problem since they first arrived on the scene as an expeditionary force in 1975. This is not the first time the Cuban issue has been discussed in this negotiation. It was discussed in 1977–78. As a matter of fact, the diplomatic record would show that.

But in practice what we sought to do was to find out on what basis all the parties would settle. We asked questions. What would make a difference? What are the issues uppermost in your minds?

There was no doubt in our minds from day one that the Cuban issue was very high in the South Africans' minds. So for one to say that the Americans introduced an artificial delaying factor is to completely reverse the situation. We were seeking the basis for an agreement. If we can get an agreement on the Cuban issue, we can get a settlement in Namibia. That is our conclusion.

Senator TSONGAS. Who made the Cuban linkage issue nonnegotiable, assuming not the South Africans. The South Africans come into our office and say look, why are you upset about the Cuban issue? It is your people who insisted upon it.

Mr. CROCKER. It is not a quesiton of whether it is nonnegotiable. It is a question of is there any other basis for a settlement.

Senator TSONGAS. Is it negotiable?

Mr. CROCKER. I do not believe so.

Senator TSONGAS. If it is not negotiable, then it is nonnegotiable.

Mr. CROCKER. We do not see any other basis for a settlement. That is what I just said.

Senator TSONGAS. "We" being the United States?

Mr. CROCKER. Yes. We have had no indication from the South African Government that they see any other basis for a settlement either.

Senator TSONGAS. Why would the South Africans be making the point that we are the ones that raise it, because even though it was raised before, it was not ever considered on the basis of nonnegotiability bofore. That is a new dimension to the issue.

Mr. CROCKER. Your question is why would they say this? Why would they say that it is the Americans who raised it?

Senator TSONGAS. Well, it was not a nonnegotiable issue until the last year or so. All of a sudden it is now that point which has to be resolved or nothing else matters; so that is a nonnegotiable point. That nonnegotiability is an American invention, is it not?

Mr. CROCKER. I think it is an American translation into reality of what has existed all along. We have to be practical, and I think although this is not a very diplomatic forum, let us put some cards on the table.

What is in it for South Africa? We have already asked for many years what is in it for SWAPO, what is in it for the frontline states to get a settlement. We have gotten their answers. We are not giving South Africa a blank check. the United Nations plan has a great deal in it for SWAPO and for the frontline states, for Africa in general, for the Namibian people.

But South Africa is not going to leave that territory, unless it is able to look at it and say this is a yesable proposition, unless one assumes that we are going to send in the U.S. Marines. And I do not see any evidence that there is support for that.

We are trying to solve a practice problem by creating the basis for a deal. It has to have something in it for everybody.

Senator TSONGAS. Do you ever wake up at night worrying that Prime Minister Botha is dangling you like a puppet, and that all he is going to do is get 4 years out of you, and then face whoever the President might be, the same or a new one in 1985? Has that thought ever crossed your mind?

Mr. CROCKER. There are many thoughts that cross my mind, Senator. But I believe that we are dealing on the basis of mutual respect in this thing, and that in fact the problem is not one that can be won militarily, and there are many inside the South African Government who are well aware of that.

Senator TSONGAS. Some of your friends in the Heritage Foundation and other places like that are now saying that the policies—and I have the mandate for leadership report agenda 1983 by the Heritage Foundation, who are very fearful that in fact that is exactly what is happening—that South Africa is simply going to play for time; that the constructive engagement argument gives them 4 years: and that after that period nothing will have happened.

I know privately that you have expressed that concern. You do not want to express it publicly?

Mr. CROCKER. No. I think we have done some things that offer something to everybody as well as things which have to be compromised on all sides by everybody. If we are taking barbs and arrows on occasion from various points in our own political spectrum, perhaps that indicates, as you said at the outset, we are doing something right.

Senator TSONGAS. That is what I was afraid of.

Do you have any doubt in your mind that South Africa is trying to destabilize some of its neighbors like Mozambique and put economic pressure on countries like Zimbabwe?

Mr. CROCKER. I did not hear the first part of your question?

Senator TSONGAS. Is South Africa attempting to destabilize Mozambique?

Mr. CROCKER. We believe that there is a pattern of tension, of violence in the region which has multiple origins, and that it is not correct to point historically in any one direction.

There have indeed been South African pressures vis-a-vis Mozambique. There is no doubt about that. But we also believe that

there has been something there that they have been reacting to in a sense.

I am not going to give you a chicken-and-egg argument as to who started it, but I do believe that it is unlikely that we can get South African restraint, which we all would like to see, unless one is prepared to look at all sides of the issue.

Senator TSONGAS. I have other questions. I will defer, and come back on the next round.

Senator KASSEBAUM. Thank you. I have some questions, too, which I haven't really gotten to yet, and Senator Moynihan is here for the introduction of some Ambassadors for their hearing. If you do not mind, Senator, if I ask a couple of questions before I lose my chance again.

Senator TSONGAS. I move the approval of the Ambassadors, whoever they may be. [Laughter.]

Senator KASSEBAUM. Thank you.

I would like to ask a few specific questions to help with this, because going back to unrealistic government policies, you mentioned, I think, unrealistic pricing policies, and this has seemingly been a problem in a number of the countries where a very poor economic situation can be traced to subsidies in whether it is Sudan or Zambia.

I would like to take specifically Kenya, because you mentioned, I believe, in the AID presentation the use of our ESF program to cover some certain costs of policy reforms. I wonder if you could be specific in some of the details briefly on that, and if indeed you envision means by which we can prevent perhaps, just a substitution of our own Government subsidies for, say, Kenya Government subsidies, and if this is a real problem, and also, have we thought of tying ESF assistance to, say, an agreement to sign the IMF program?

Mr. RUDDY. Before answering that question, which I will do very briefly I should also note that in addition to problems with pricing policies are things like overvalued exchange rates which encourage imports and discourage exports.

There are particular IMF conditions that go right along with any IMF agreement. In the case of Kenya, those conditions involve a reduction in the protection for domestic-oriented industries, increased incentives for exporters by exchange rate devaluation, improved budget operations involving debt ceilings, increased interest rates for depositors and borrowers, increased agricultural producer prices.

Senator KASSEBAUM. But they have not agreed to the IMF conditions.

Mr. RUDDY. There was a 1980 IMF standby of $273 million with $120 million already drawn down. That agreement was superseded by a January 1982 standby of about $165 million of which about $98 million was drawn down, but government borrowing from nonbank sources caused Kenya to exceed IMF credit limitations and the agreement was suspended in late 1982.

Senator KASSEBAUM. But Kenya has not agreed. Is that correct? So they have drawn down without actually following through?

Mr. RUDDY. Yes. They were able to draw down as long as they were in compliance with the IMF performance criteria.

Senator KASSEBAUM. Do you think they might be looking to us to provide that economic assistance?

Mr. RUDDY. No. The existing IMF agreement is in suspension, and a new IMF agreement of about $176 million will be considered later this month. Our assistance is only a fraction of the overall requirement; we are merely complementing the IMF.

Senator KASSEBAUM. And Kenya is abiding by the guidelines that you outlined for that IMF agreement?

Mr. RUDDY. Yes. Except for exceeding the credit limit, Kenya has essentually complied with IMF terms, even, under the suspension. The basic problem, Madam Chairman, is this, that there is going to be a crunch. The donor resources are there, but it is simply a question basically of liquidity. What the donors have done or agreed to on two separate occasions, first in Europe and then at a meeting in Nairobi, was to meet with the Kenyan Government to come up with a list of priorities, to see if something could not be done to translate some of the slower disbursing project assistance that is due Kenya in the current year into program assistance so that they could meet their obligations under the IMF agreement.

In our case, we will be discussing very shortly a fiscal year 1983 proposal that we provide $30 million in program assistance.

Senator KASSEBAUM. Does it not concern you that there is speculation that Kenya's political instability at this time might not just result from an economic hardship, the economic hardship that they are facing, but indeed repression, and as the two are coming together. It is certainly not a very healthy situation, and if we are being drawn in more and more to provide assistance through ESF which will not be available through any other body, are we fooling ourselves as well as not particularly benefitting the Kenyans?

Mr. RUDDY. Madam Chairman, I think not. There is no question that you cannot really separate out political peril from economic instability. They go hand in glove. We recognize that, and it is precisely for that reason that the donors have met on several occasions to see if we could not create that kind of economic stability that is required as a base for political stability.

Madam Chairman, I just want to make something very clear. When I mentioned the IMF conditions, when I outlined them, those are the conditions that the IMF would require for an extension or a continuation of IMF assistance.

Senator KASSEBAUM. Thank you. I appreciate that. But I was not really implying that economic stability and political stability went hand in hand. They certainly are a factor, but I was going on to say that was not repression in Kenya a factor here? And I would like your observations on this, because it would seem to me that it is not only in Kenya, but certainly we can point to a number of other countries where indeed this repression is causing, hand in hand, I suppose, with the economic problems, great turmoil.

And you can point to Senegal, where it is a healthy and a far more stable economic situation perhaps, in that it is a government which has opened itself much more freely in the political process. Do you equate this as a condition that is happening in a number of countries where they are suffering some severe hardships, and our own policies certainly, I think, will, too.

Mr. CROCKER. Madam Chairman, we have the feeling that looking at Kenya in an historical sense as well as currently, that as you know, we have used the word "model" in describing it. Kenya's system of government as well as economy has been relatively open, relatively competitive by regional standards. Whenever we see anything that concerns us, such as a censorship issue or something of that kind, I think we would have to bear in mind that we are comparing Kenya to a number of neighboring countries which have nowhere near as much freedom of expression, freedom of organization, and so forth.

We have made clear, and I think the Kenyan Government is well aware of this, that one of its great assets is a relatively open system so that steam can be let off, so that differences and turmoil can be expressed through an open political system.

Senator KASSEBAUM. And you think this has worked well there?

Mr. CROCKER. We think that historically it has worked well. We are going to urge that they continue, and we think that the Kenyan leadership is also well aware that this is an important asset for them, to keep this sort of a system.

Senator KASSEBAUM. I have just one more question on Kenya that I would like to ask while we are on it, and you mentioned it being a model that we have used to point to politically, but also I believe it has been a target country for the Bureau of Private Enterprises, which I believe in the budget recommendation is to increase from $6.7 million to $22 million, and I would be curious what results to date have been shown by the work of that private sector business initiative in Kenya, and what new company operations in Kenya or major expansion or initiatives of American investment have occurred.

Mr. CROCKER. Madam Chairwoman, can I get you something for the record on that? I would like to be able to go beyond the Kenyan case, if I could. We have supported through the PRE Bureau in AID. Perhaps, Frank, you would want to say something about that particular program.

Senator KASSEBAUM. Thank you.

Mr. RUDDY. There are two things, Madam Chairwoman, that I would like to make clear, because they are frequently confused. We have some activities funded by the Private Enterprise Bureau, which is Mrs. DuPont's bureau. In the case of Kenya there was a reconaissance mission made by that bureau which laid the base for several AID private enterprise projects. The foremost of these was a $2.5 million loan to the Kenya Commercial Bank. The idea was that this money created an agribusiness fund which would be relent to small- and medium-sized agribusinesses which established institutional credit evaluation capability, business advice, et cetera, so that these people could get into the market, make some money while they are producing some food.

In addition to that Bureau's activities, the larger part of the private enterprise activities in Africa are done by the African Bureau. Those basically are continent-wide. The important distinction, I think, is simply that the PRE Bureau is trying to operate more in the sense of a laboratory, without being too exotic, in countries like Zimbabwe, Ivory Coast, and Kenya, to see if they could come up

with the kinds of pilot projects or prototypes of things that could be carried on elsewhere.

We hope they are successful in their own right but the idea is that if these things catch on, they can be used elsewhere.

In the case of the Africa Bureau's own operations, we have a great many more projects throughout Africa that are a little more mundane and a little more on a day-to-day businesslike kind of level. I just wanted to make that distinction.

Senator KASSEBAUM. Thank you. If you do not mind, could you wait for a bit longer here, if you have the time, while we hear the presentation of the witnesses for the Ambassadorial appointments? Thank you very much.

[Whereupon, a brief recess was taken.]

Senator KASSEBAUM. I cannot believe that I have to announce another disruption, but we have been asked to clear the room, please, for a few minutes while they do a security check. I very much regret this disruption. It means nothing, I think, but they believe it is important to do this.

[Whereupon, a brief recess was taken.]

Senator KASSEBAUM. My apologies again for this interrupted afternoon. I appreciate everybody's patience and understanding in getting this underway again.

I am about ready to give up and just submit my questions for a written response, but I do have a couple more I would like to ask. Senator Tsongas has some more. I do not know if Senator Helms has another one or not.

This is regarding the security assistance moneys. In general, it seems to me in any of the security assistance requests it would be enormously helpful if we could have, for instance, a military needs assessment from the Department of Defense. It would help us, it would seem to me, to better understand what their assessment is and what those needs might be.

Would you share that belief, Dr. Crocker, that it might be useful for us to have that as we try to analyze some of the security assistance requests?

Mr. CROCKER. I think I might want to ask my colleague from the Defense Department to address that as well, but certainly in terms of what we can put forward in open session, we would be prepared to try to answer questions in that area, because we think that in every case, these programs would be seen for what they are, which is modest efforts to be supportive of friends that face legitimate needs. We have nothing to hide in that regard.

I do not know if my colleague, Mr. Woods, would like to add a word in terms of how we might communicate such information.

Senator KASSEBAUM. If I might be specific, perhaps it would be useful. In the case of Zaire, it has been reported by some that the security assistance moneys have been misused, that some of the equipment that has gone there has not been properly used, and I wonder if you could provide the committee with a list of equipment that was provided under previous security assistance programs and a description of its use now.

You may not have that information available at this particular point in time, but I think it would be useful to us. For instance, one of the items that has been brought to my attention is that the

C–130, the only one that is in operation now in Zaire, is used by the President, and I guess I would have to wonder indeed what use our moneys are being put to there, and if that is an effective use.

Mr. Woods. Madam Chairman, I am Jim Woods, Director of the Africa Region, Office of the Assistant Secretary of Defense for International Security Affairs.

We will provide a list of major equipment sold to Zaire and be happy to brief members of your staff on the results of surveys that Defense has conducted which addresses the requirements of African countries. At this time let me make a few general observations. As Mr. Crocker has made clear, the scale of our military assistance program in fact is so small against total requirements that a comprehensive assessment of the military needs of many of these countries would validate an abstract military requirement far in excess of any amount of assistance that we are proposing to provide.

The assistance programs that we are proposing for your consideration are very selective, include very few major items of equipment, and are basically focused on maintenance, logistics, training, and—where there are new end items—such basic commodities as trucks and tactical communications.

There are very few what you might call force improvement projects in Africa, and certainly the Zaire program is an example, although the needs of a Zaire, a Somalia, a Sudan could be validated and have been validated at a far higher level on a comprehensive basis.

Our own projects address the most critical needs. In the case of Zaire, we are hoping to keep flying the C–130 fleet which still exists. Originally they had seven. Two have crashed. There are five, of which only one is immediately operative.

Senator Kassebaum. Is that one being used by the president?

Mr. Woods. That one is the presidential aircraft, and there has been a history of dialog over whether that is an appropriate use of the aircraft, and I think the position is that there is no prohibition against a president using the presidential aircraft for his own purposes. It is used for military purposes as well.

The other principal undertakings we propose for security assistance in Zaire have to do with logistics and transportation primarily. We have also a desire to provide some technical assistance and spare parts to maintain a few swift boats which they use on the river, and which were previously provided from the United States, and beyond that perhaps a little bit of communications gear.

But these are, I guess, from a Defense perspective, when we deal with Africa—and fundamentally, I came to African affairs a few years ago with experience in Asian affairs, Asian security assistance, and I am struck by the vast scale of the requirements and the very small scale of the programs that we actually mount.

In the case of Zaire, it is a very austere program, and one where Defense has—it is one program in Africa, I would say, in the last couple of years where Defense has truly urged that there be some additional money put in, particularly for spares for the C–130's, just to keep the military capability in being.

Senator Kassebaum. So you think that money is needed for spare parts to get the C–130's that are inoperable operable?

Mr. WOODS. The largest single component of the Zaire program would be support for the C–130's. That is not only spare parts, but more advanced assemblies, technical services. There are a lot of things involved in support. But, yes, that is the largest single program.

And I think a characteristic of our security assistance programs in Africa is that only in the last several years, perhaps, have we been able to transmit to the countries concerned a kind of a learning curve that we much earlier passed on in East Asia, for example, which is that there has to be very careful planning, when equipment is originally purchased or provided, of the follow-on support costs, and as the equipment ages, these costs tend to rise until they eventually stabilize.

I think it is typical of many of the developing nations that these support costs have not been thought through, and as you know, our missions in Africa, our military missions, are very small, and some countries have not even a single military person, but are dependent upon embassy staff.

So, there has been a weakness perhaps in our planning. In the case of Zaire, we have been working very hard to persuade them that the existing program should be focused on support and maintenance, most of the money for the C–130's, in other cases to support transportation or communications capabilities. And we are using more mobile training teams introduced into the country to try to work with them.

Also in Somalia and Kenya and Sudan, which are other big programs, we are placing more and more emphasis on logistics, maintenance, technical support, work on the ground, and less emphasis upon simply delivering the major end items, which we cannot afford anyway.

Senator KASSEBAUM. I think that is important. As you say, it is not a large amount of money, but what concerns me is the effective use of what is there.

I would like to ask a question, because I think it relates again to how well the Zairean military is able to use or utilize the support that we give them. Are the Zairean soldiers paid regularly? And if so, what is their pay? Are you familiar with that?

Mr. WOODS. I cannot address the question of the level of pay. I do know that there have been difficulties in getting pay to the soldiers.

Senator KASSEBAUM. So is it the case that because of this problem, they sort of have free rein to get help themselves perhaps wherever they can get a little extra cash?

Mr. CROCKER. I think, Madam Chairman, we would have to make distinctions amongst different units here, and this gets into some sensitive areas. But we have made clear our views on the importance of this. If you are to have a military force, you have to have the necessary support without living off the countryside, in effect. We were, I might say, very favorably impressed with the performance of the Zaire unit that went into the Chad last year, including, in part, self-support through air logistics.

So, that record, I think, does speak for itself. We were favorably impressed with that. The Zaire unit there behaved very well and added a very important element of stability.

[The information referred to follows:]

LEVEL OF PAY FOR ZAIRIAN SOLDIERS

[SUBMITTED BY THE DEPARTMENT OF STATE]

Since May 1982 the official pay scale (in Zaires per month) for the Zairian Armed Forces has been the following:

General, lieutenant general and major general	(1)
Brigadier general	2,420
Colonel	1,540
Lieutenant colonel	1,100
Major	814
Captain	635
Lieutenant	570
2d lieutenant	443
Chief adjutant (1st class)	310
Adjutant	266
Sergeant 1st class	221
Platoon sergeant	209
Staff sergeant	190
Sergeant	177
Corporal	165
Private 1st class	145
Private	133

[1] Not specified.

In addition to the above are the following allowances:

	Zaires per month
Family allowance (all ranks):	
Wife	8
Each child	5
Family housing allowance:	
General officers	1,518
Senior officers	885
Subordinate officers	443
Adjutants	316
NCO's	40

NOTE.—The official exchange rate of the Zaire at the time the pay scale was enacted was 5.6 Zaires to the dollar. While the official rate has remained about the same since then, the parallel (free market) exchange rate, which reflects the true purchasing power of the Zaire, has risen to 25–30 Zaires per dollar.

Mr. WOODS. That did use the C–130's. The air logistics involved the use of their own C–130 aircraft. So we were quite happy that they were able to mount that kind of an operation. We would like to see them have that capability in case the need arises again.

You know, from a technical perspective, the thought of a force such as Zaire's having a single C–130 available to it is very upsetting.

Senator KASSEBAUM. I have a couple of other questions, and I will submit those for the record, but I would like to jump for just a minute to the USIA. We had Mr. Wick here before us last week, and some testimony on funding requests, and one of them, of course, is to assist with the constitutional commission in Liberia, and I believe the proposed project democracy budget is $1.72 million over 2 years to assist Liberia's constitutional commission.

I wonder how exactly this will work, and how we propose to assist with this constitutional commission, and will we be subsidizing the expenses involved in whatever this is that we are going to do to help?

Mr. LEWIS. Madam Chairman, as Director Wick related last week, the project democracy, about which there are a number of

questions, springs from the President's speech before the Parliament last June, in which he announced the intention to support democratic institutions throughout the world and to make a major effort to foster the infrastructure of democracy which allows people to develop their own differences through peaceful means. And out of this speech has come this initiative on project democracy.

Now, as project democracy relates to this particular project that you spoke about in Liberia, in almost every event all of these projects that have been listed under it are illustrative because while something like that may well go on, each one of these is, in a sense, illustrative. The assistance for Liberia transition to democracy would call for funds to be made available in 1983 and fiscal 1984. It is an illustrative project in the sense that the Government of Liberia is attempting to return to civil rule by April 12, 1985.

A 25-man constitutional commission has been given the task by the Liberian Government of drafting a new constitution for Liberia, and organizing, and convening a constitutional assembly preparing the electoral machinery, and conducting a referendum on the draft constitution.

In a number of very concrete ways, USIA has supported this initiative even before such a project democracy has come about. We have sent American specialists to Liberia to discuss constitutionalism, to discuss various forms of government, to discuss the technical aspects of a constituent assembly and so forth.

This proposal, at present, is, in a sense, illustrative. But if, indeed, it does come into effect, it will be carried out either by AID or by State.

Senator KASSEBAUM. So it is in the budget for that amount of money, but you are not really sure that it will be implemented? Is that what you are saying?

Mr. LEWIS. Yes; because I think for budgetary purposes, many of the projects which have been put forward are illustrative, in a sense, of how project democracy will work and what kinds of projects will be undertaken.

Senator KASSEBAUM. Well, it is not that I would not be very supportive of a constitutional assembly, of course, and would hope certainly to see Liberia move forward in that direction. I did question the use of almost $2 million for us to try to sort of help implement this 25-man commission. I wonder if, indeed, that is again an effective use of our money in that respect. Dr. Crocker?

Mr. CROCKER. If I might just say a word on this, we have received requests in a number of areas from the Liberian constitutional commission, which is a body that is autonomous from the government. And the requests fall into several areas, setting up and helping to support an election commission, doing research and laying the basis for a voter registration drive, which would include the outreach grassroots part of it.

As you know, Liberia does not have a long tradition of grassroots democracy, so this is really starting pretty much from scratch. And also, a public education campaign.

We have already supported, as Mr. Lewis mentioned, some experts to help with the constitutional commission. But everything depends on the funding we get, and Liberia's constitutional com-

mission is asking not only us but many others, private foundations and other countries as well, to help out in this.

Senator KASSEBAUM. I will submit any other questions I have for the record.

Senator Tsongas, I believe you had a few more. Thank you.

Senator TSONGAS. Madam Chairman, I will not take much time. Just two things just to put them on the record so that we are all clear as to what happens from here on in on Zaire. I went through this last year. Having to come up here and justify the moneys for Zaire must be very painful, since we all know of the corruption that goes on there.

I will submit for the record a Time magazine article, January 10 of this year, entitled, "Great Hopes Are Gone," which generally reiterates what others have said in the field.

[The article referred to follows:]

[From Time Magazine, Jan. 10, 1983]

"GREAT HOPES ARE GONE"

Beneath an asthmatic fan, the pianist eases from a tired collection of pop tunes to Elgar's "Land of Hope and Glory." It is a curious switch because there is hardly any glory in the seedy Kinshasa bar near the banks of the sluggish Zaire River and little hope for the country that bears the river's name. Though its debts are small on an international scale—only $5.1 billion—Zaire is a financial basket case, a country so broke, so mismanaged, so beset by the global recession and, ultimately, so corrupt that it should be a perfect warning to lenders. Since 1976, Zaire's debt has been rescheduled at least five times; last year only an estimated $250 million of $946 million due in debt service was paid, and the chances of full repayment are nil.

The picture was not always so gloomy. In the early 1970s, after nearly a decade of civil strife, the former Belgian Congo had achieved a measure of political stability under the dictatorship of President Mobutu Sese Seko. More important, the country was recognized as a treasure trove of gold, diamonds, oil, copper and cobalt. Banks rushed to extend credit. They were to rue the day. Notes one foreign banker in Kinshasa: "We did not do our sums properly."

Aside from export setbacks—prices for copper and cobalt dropped sharply—much of the loan money that flowed in was not spent wisely. Among Mobutu's development projects was a huge undertaking to dam the Zaire River and to build a 1,100-mile-long power line to the Shaba copper-producing region at a total estimated cost of about $1 billion. Eight months after the power was finally turned on in 1981, the current was switched off. Shaba province happens to be self-sufficient in electricity. Says one Western diplomat: "If ever there was a white elephant, this is it. Zaire needs the scheme as much as it needs a nuclear-powered submarine."

Worse still, corruption percolates through the regime. "It is widely accepted," a U.S. Senate Foreign Relations Committee staff report completed in March noted, "that he [Mobutu] has managed to amass a legendary personal fortune at the nation's expense." Kickbacks are the order of the day, with the President's cronies controlling significant slices of the economy. "It's the greed of a handful at the top that keeps this country in an economic mess," says one Belgian businessman. Complains one of Zaire's former financial advisers: "We had great hopes, but they are all gone. It is a country that makes people dream and then makes them go crazy."

Businessmen are not the only people to despair. In 1978, the International Monetary Fund sent Erwin Blumenthal, formerly a top official of West Germany's Bundesbank, to take over as the director of Zaire's central bank. Time has obtained a copy of the secret report he wrote to IMF Managing Director Jacques de Larosière early last year. In it, Blumenthal describes refusing high officials' requests for bundles of cash of up to $50,000, finding a government payment of $4 million to a Belgian professor who was the guardian of Mobutu's son, and uncovering a discrepancy of $32.6 million between what was supposed to be in the government's bank accounts abroad and the money that was actually there.

Blumenthal left Zaire in 1979. But he continued his investigations in Western Europe, obtaining from former Zairian Prime Minister Nguza Karl-I-Bond, now living in exile, the estimate that Mobutu's private fortune exceeds $4 billion. Most

of it was said to be held in Swiss bank accounts, a point that may explain why the Swiss have been receiving fairly regular payments on loans owed them by Zaire.

The only factor that has kept Western bankers from calling a default is that large loans would have to be written off. "If Zaire were serious about sorting out its debt, it could be done in a matter of years," says one creditor. Explains a Western diplomat: "The Zairians are not worried about being a basket case. The elite always do well regardless of who is putting up the money."

Senator TSONGAS. Have we ever considered asking Mobutu how much corruption is enough so that we could have a sense of how far he wants to go, and we would know that anything beyond that would be used for the right purposes? Has that notion ever been discussed in the State Department?

Mr. CROCKER. Senator, I do not recall that it has. I think we are—and we have made it clear consistently—we are not backers or supporters of corruption. We have said so on the record diplomatically, and so forth.

But I must say I find after several years in this business, I find myself continuously astonished at the ability of one country out of the 47 or so that I am nominally responsible for in the African Bureau of the State Department to attract attention as though this did not go on anywhere else in Africa or anywhere else in the world. We have to put some things into context.

Zaire is a critically important country for African stability. It is a major source of minerals for the Western industries. It is a country that has been consistently, over some 17 years, an important friend of ours, regionally and internationally. It is a country with very grave problems of management, which we recognize, which has a lot to do with history as well as with the current leadership.

We think that there is an important drive underway which has the level of the President behind it to get after this corruption. There is a lot being done and said about corruption right now, as we sit here, in Zaire which obviously, we have encouraged. There also has been a considerable cleaning up of the management of the two mineral-marketing companies in Zaire, which had been a source of some difficulty in the past.

In addition, I might just mention that Zaire's dialog with the IMF is at this point as promising as it has been for some time. So in the temporary current sense, we see things on the road towards a possible IMF agreement. We certainly want to see that happen.

Senator TSONGAS. I think the reason that Zaire is mentioned not only by myself but in the press is that although corruption is a practice among many African States, it is not a fetish. I get the impression with Mobutu that it is a lifelong pursuit. Time magazine estimates that his personal fortune is $4 billion. Can you name me an African head of state that would be in a comparable position that you can think of?

Mr. CROCKER. I am not going to comment on the personal finances of the President, about which I am sure my knowledge would be limited in any event. But I certainly would say that the problem of leakage of foreign exchange from the Third World countries is widespread and goes well beyond this one case.

Senator TSONGAS. Let me just say finally, that part of the downside of having been quite low, these 2 years, vis-a-vis your constructive engagement policy is that it has been interpreted by some in Africa as an acquiescence and an endorsement. There is really

quite a difference between an endorsement and having someone who I respect, as yourself, trying to give them time to produce results.

And I would just like to say that as far as I am concerned, the 2 years is over. I feel an obligation to speak out about what I feel is right. I hope that I will do it in a way that is constructive and will try to at least let you know how you are doing.

But I honestly feel that although the 2 years of quiet has been perhaps justified, I would do it again because I do have respect for you. And I think there is now a different road for us to travel, and we will do so, hopefully, within a framework that you find acceptable. But I think the time has come for the Government in South Africa to no longer assume that those of us who have been active in the field in the past have somehow gone away for all time.

We are going to go back in—the quilt was just an example of what we are intending to do, so that those elements in South Africa who yearn for human rights and are opposed to apartheid will know that there are allies in the Congress. And that the 2 years of hoping will continue; that an independent course at this time is called for.

I would hope that you would not view this in any way to be hostile to your activities, and hopefully, some agitation on our side may be helpful. And to the extent possible, we will cordinate it with what you do, but I just wanted you to know what my feelings are and hopefully, not be surprised at some of the initiatives that we may undertake as this year unfolds.

Do you take that as a complementary activity or as a threat?

Mr. CROCKER. Senator, we look forward to engaging constructively with you and all the Members of the Senate.

Senator TSONGAS. With an answer like that, you ought to be on this side of the table. You would do all right. Thank you, Madam Chairman.

Senator KASSEBAUM. Senator Helms?

Senator HELMS. Thank you, Madam Chairman. Mr. Secretary, I want to give you another shot at answering questions that I asked, and I say this to you as one whom I like personally. But you gave me a series of nonanswers to my questions. I do not want to know what you think Mugabe thinks, or what his plans may be. I want to know in writing what the position of the U.S. Government is with respect to clear violation of the Lancaster House Agreement.

Therefore, Madam Chairman, I am going to submit these questions in writing and hope that the Secretary will give me his best answers in writing.

Now, let me tell you the motivation for this line of questioning.

I think it was 3 years ago that there came before the Senate the proposition of sending $75 million to the Sandinistas in Nicaragua. Some of us protested that this was a Marxist government. I remember one declaration after another by Senators saying well, I am willing to gamble, and that sort of thing, because it may do some good.

Well hopefully, we have learned that feeding the crocodile is not an especially intelligent thing to do.

So my questions, which I submit to you, sir, are not intended to be frivolous. I am dead serious about it. And how you answer these

questions will indicate to me what I should try to do in terms of this proposal when it gets to the Senate floor. And I say all that with immense respect for you, and I say no more.

I do have one or two questions for Mr. Ruddy, if I may. Now, Mr. Ruddy, this is sort of a structural question. Have we considered eliminating some of our smaller country programs? And the reason I am asking this is because I want your assessment of how much good we can do anyhow with relatively small amounts of money.

Mr. RUDDY. From the point of view of development, Senator, it would seem that there are a number of smaller programs that one could look at quite critically and could give us some efficiency. I would make the analogy to running a business. If you had a business and you had various profit centers—and this is a gross analogy, but just to make the point—if you had profit centers you would have to have some relationship between the cost of running those centers and the results you are producing.

Senator HELMS. The principle of cost effectiveness.

Mr. RUDDY. Yes; on that basis, from the point of view of managing the African Bureau for the ends of development, it would seem that we could look at a number of these small programs quite critically. I think the problem that we have in doing this is essentially a political problem, that if one decides to eliminate country X or country Y, that in itself raises political problems with the countries affected, since all are sovereign states.

Senator HELMS. Let me suggest this. I would like to have a list—and I am sure other members of the committee would as well—a list of small country programs and their cost, and I would include staffing costs and that sort of thing that would show the total cost of maintaining these programs and the savings, both in dollars and manpower, which would be freed to work on other country programs which are recognized to have perhaps a higher priority. So if you would give me that list, I would appreciate it.

Mr. RUDDY. Yes.

Senator HELMS. The second question, the law says that AID's population programs are supposed to be voluntary. Is that right?

Mr. RUDDY. Yes, sir.

Senator HELMS. Now, what I would like for you to address is the question of whether these, in fact, are voluntary today, or is AID still pressuring African countries to accept programs that they do not want.

Mr. RUDDY. I can guarantee, Senator, that everything we do in the African Bureau will be absolutely voluntary. That we will force nobody to accept anything they do not want, or condition any other assistance on acceptance of population programs.

There is in the population area, as in, I guess, many other areas, a very strong population lobby, and there is a great deal of pressure by that lobby to increase population funding. But I have made it clear to our people in the Bureau and our mission directors that I will not stand for that. We will not do it.

Senator HELMS. Are you familiar with the African-American Institute [AAI]?

Mr. RUDDY. Yes, sir, I am.

Senator HELMS. How much does AID give to the AAI?

Mr. RUDDY. We have at the moment, Senator, three contracts with them. There is the African graduate fellowship program, phases 1 and 2, and there is a development training program for Portuguese-speaking Africa. Under the African graduate fellowship program, for the period 1977 through 1982, AAI received $2,567,906 for phase 2, and in 1983 the estimate is $1,203,358.

For the development training for Portuguese-speaking Africa, the project period is 1975 through 1984; and the overhead costs—the total overhead cost is $2,363,922.

Senator HELMS. I am going to ask staff to get those figures for me. I tried to record them in my mind, but I got lost along the way.

Mr. RUDDY. Those are overhead costs. The cost of the total program was more, but that is the AAI overhead cost that I read to you.

Senator HELMS. Does the work of the AAI advance U.S. policy interests in Africa? I am talking about such things as the recent conference in Zimbabwe. I believe you attended that.

Senator KASSEBAUM. He was chairman.

Senator HELMS. Well, you did, indeed, attend it.

Mr. RUDDY. In answer to your second question, Senator, I think the answer is that conference did not. Madam Chairman spent considerable time at that conference and is certainly a much better source than I, and I am repeating to you——

Senator KASSEBAUM. I was only there a day and a half, but I would share with you—and Dr. Crocker and Mr. Lewis was there, too—that we certainly had some disappointments.

I think, on the other hand, we presented a balance to the views that were there. That was important. And I certainly think Dr. Crocker's willingness to step forward and engage in a debate that was really very critical of the United States, and he held his own, was important for us to be able to have the opportunity to express ourselves in that way, and I think did the representation there credit.

Senator HELMS. Do you know how much the USIA contributes to AAI?

Mr. LEWIS. Senator, the USIA funds the African-American Institute Program Office in Washington, D.C. And that office is responsible for the programming of approximately one-third of our international visitors [IV] who come from Africa on an annual basis. In funding terms, AAI received $210,663——

Senator HELMS. This is from the USIA?

Mr. LEWIS. From the USIA for the first half of fiscal 1983 from the Office of International Visitors to program IV's. It is anticipated that they will receive an additional $187,690 for the remaining two quarters of fiscal 1983; for a total of $398,353 for the year, fiscal year 1983.

This compares with $448,503 in fiscal year 1982, and in fiscal year 1981, $537,640.

Senator HELMS. Thank you. Madam Chairman, as was in the case of Secretary Crocker, I want to submit a number of questions for Mr. Ruddy, if he would be so kind as to respond to these in writing. And I am including the ones that I have asked orally here.

Senator KASSEBAUM. They will be in the record. Thank you very much. I really appreciate the patience of the witnesses and appreciate their contributions to the testimony.

[Additional questions and answers follows:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR KASSEBAUM

Question 1. How can the piecemeal approach to debt rescheduling be handled in a more coherent fashion?

Answer. We share your concern that public and private debt rescheduling be handled in a coordinated manner, and believe rescheduling meets the need. Official creditors already require that debtors reschedule their private debt on terms "comparable" to those granted by official creditors in the Paris Club. Moreover, both official and private creditors generally insist that debtor undertake an IMF-supported adjustment program as a precondition to rescheduling and in this fashion are able to coordinate their efforts. This procedure has proved effective and desirable given the different nature of the credits involved and the varying institutional structures of the private and official creditors. As an example of the success of this mechanism, I would point to the recent rescheduling for Sudan even though it was complicated by the magnitude of the debt and the need to provide extraordinary relief. In this case, the Paris Club met in February and negotiated an extraordinary arrangement and the private creditors are now in the process of concluding a comparable arrangement which is consistent with Sudan's identified and limited debt service capacity.

Question 2. Please describe Kenya's economic problems and what steps the Moi government is taking to solve them.

Answer. The Kenyan economy is suffering from serious structural and balance of payments problems. These problems result from a combination of internal policy decisions taken in the early 1970's, which favored an import substitution policy and creation of parastatal bodies, and from world economic conditions including a global recession and a deterioration in Kenya's terms of trade. The adverse performance of the Kenyan economy has been further exacerbated by a high (4 percent) rate of population growth.

Under the terms of a Structural Adjustment Loan from the World Bank and a recently approved standby agreement with the International Monetary Fund, President Moi has commited his government to major economic policy reforms and institutional changes.

Among the reforms already implemented, in part or in full, are a currency devaluation, interest rate adjustments, and improved incentives for agricultural producers. President Moi has also announced further measures designed to eventually reduce government expenditures, improve allocation of foreign exchange, eliminate inefficient parastatals, and alleviate administrative bottlenecks and bureaucratic mismanagement. A National Family Planning Council has been established to try to find ways to reduce the country's rate of population growth.

Question 3. What problems are foreseen in implementing the planned privatization of the large number of government corporations in Kenya?

Answer. A shift to greater reliance on private sector participation by Kenyans will require a sustained commitment by the government and donor countries to further development of entrepreneurial skills and policies conducive to the private sector. Planned privatization must assist new entrepreneurs to manage already established ventures and provide for the possibility to conceive and establish additional ones. It would be negligent to assume that these abilities would develop on their own.

To launch such a major private sector initiative in Kenya, individuals and private firms must be given access to capital to purchase the assets of parastatals from which the government is divesting itself. Another potential difficulty that an extensive divestiture might cause would be the widespread dislocation of current parastatal managers and personnel.

Question 4. Foreign Service personnel assigned to Africa have expressed concern about the lack of adequate employment opportunities for spouses in most countries.

What efforts have you made to negotiate changes in policies with host governments to permit spouses of U.S. diplomats to accept employment in country? Could you provide the Committee with a listing of countries that do not allow U.S. dependents to work outside the U.S. Embassy and a report on the specific approaches the U.S. Embassy has made to have these policies changed?

What employment opportunities are available through the U.S. Embassy to dependents? Some criticism has been made of employment of dependents of senior officials, such as ambassadors, deputy chiefs of mission and U.S. AID officials. What is the policy toward the employment of these dependents? Does their employment conflict with U.S. laws prohibiting nepotism?

Answer. Under INS 1979 A-1/A-2 reciprocal work regulations, U.S.G. family members may work in the following African countries:

Botswana	Ivory Coast	Rwanda
Burundi	Kenya	Senegal
Central Africa	Lesotho	Seychelles
Chad	Upper Volta	Sierra Leone
Ethiopia	Madagascar	Sudan
Gabon	Mali	Swaziland
Gambia	Mauritania	Togo
Ghana	Mauritius	
Guinea	Niger	

Following is a list of countries that do not allow U.S. dependents to work outside the U.S. Embassy:

Benin	Liberia	Somalia
Cameroon	Malawi	South Africa [1]
Cape Verde	Zimbabwe	Tanzania
Congo	Mozambique	Zaire
Djibouti	Namibia	Zambia
Guinea Bissau	Nigeria	

[1] Discussions currently underway on bilateral work agreement.

Periodically, U.S. Missions make representation to the respective foreign ministries to discuss the desirability of negotiating bilateral work agreements. In many cases, however, local wage scales are so far below American standards that bilateral work agreements would have no positive effect.

The Bureau provides part-time, temporary employment to dependents of U.S.G. Direct Hire employees. (Currently, we cannot authorize every appointment request due to the limitation of full-time equivalent hours given to us to manage our part-time personnel complement.) In addition, some Embassies and employee recreation associations employ U.S. dependents under contract.

The Bureau encourages employment of dependents. Vacancies are advertised, and committees at each post review each application in order to select the best qualified condidate.

The employment of dependents does not conflict with U.S. laws prohibiting nepotism as long as the dependent is not supervised by a relative.

Question 5. The USIA presentation specifically request funding to allow the opening of USIA offices in Angola and Namibia, but the State and USAID presentations do not. What plans do we have to open posts in these countries? Of the funds requested by State and USAID, what amount has been included to permit funding of new posts in these countries?

Answer. The Department has requested funds, on a contingency basis (as did USIA), to open posts in Angola (Luanda) and Namibia (Windhoek) should political developments so permit. USAID has no plans to open offices in either location for the time being. The Department would envision initially staffing its posts with five American Foreign Service personnel and four Foreign Service national employees. $579,000 has been requested for this purpose for Luanda, and $497,000 for Windhoek. The timing of establishment of such posts would, of course, be dependent upon satisfactory negotiations for the independence of Namibia and establishment of diplomatic relations between the United States and Angola.

Question 6. The Africa Bureau of the State Department reallocated funds to reopen the Embassy in Chad. What was the total cost of reopening this post? Where did the funding and personnel ceilings needed come from?

Answer. The total cost for reopening the Embassy in N'Djamena in January 1982 was $812,250. These funds were reprogrammed from FY 1982 resources of the Office of Foreign Buildings and the Bureau of African Affairs. The positions to staff the reopening of the Embassy in N'Djamena were reprogrammed from within the position ceiling of the Bureau of African Affairs.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR PERCY

Question. 1. If Congress fails to approve full funding for the 1983 supplemental request, what would be the impact on the Administration's Africa program?

Answer. The shortfall in security assistance embodied in the fiscal year 1983 Continuing Resolution (CR) wreaked havoc with our African programs. The major damage was to our military assistance programs, with serious damage to our economic support programs.

The combination of a shortfall in military assistance appropriations and earmarking most of the funds for a few countries had the net result of leaving very little FMS credit or MAP for the rest of the world. A number of African programs had to be eliminated entirely (Senegal, Djibouti, Cameroon, Zimbabwe, Gabon, and Rwanda), but the most serious impact is in Sudan and Kenya—both vital to our Middle Eastern Policy.

The 1983 MAP request for Libyan-threatened Sudan was $100 million of which only $25 million could be made available under the CR. We have an obligation to continue our previous high level of support for President Nimieri in view of his strong support for our Middle East and African policies. Kenya remains a high priority for our military assistance. Yet, again because of the shortfall and earmaking, we were able to allocate only $15 million for Kenya against a request of $35 million. This amount does not cover even operations and maintenance costs of our two ongoing programs, the F-5 and Hughes helicopter programs.

The supplemental request for Somalia ($4M FMS, $5M MAP) is vital to the continuation of our military assistance. We expedited APC's and ammunition to Somalia last summer in order to help the Somalis counter the Ethiopian incursion. We were forced to use nearly all of the fiscal year 1983 FMS and MAP to support that operation. This has left us with no funding available for the remainder of fiscal year 1983 for critical Somali programs (radar, logistics, ground transportation, spares, and training).

We need supplemental fiscal year 1983 ESF in Africa because available funds under the current CR are insufficient to cover the needs of several key country programs. We need an additional $15 million to honor our pledge to support Zimbabwe with $75 million annually for 3 years. Our assistance helps the government to pursue rational economic policies and has supported the vital private sector.

In Sudan the United States has taken the lead in alleviating an economic crisis which threatens the stability of this key country. We are requesting an additional $25 million in the supplemental in order to demonstrate to the Sudan and to the other donor nations that our support will continue now that Sudan has accepted a difficult IMF stabilization program.

In Zaire we are requesting $7 million in order to show concretely our support for a long time friendly country which is faced with the need to make tough eonomic reform measures quickly.

Question 2. If Congress were to approve the fiscal year 1983 supplemental request, and then continue the fiscal year 1983 levels for fiscal year 1984, what would be the impact on the Administration's Africa programs? Please discuss military and economic impact separately.

Answer. A continuation of the fiscal year 1983 level, including a supplemental, into fiscal year 1984 would have a major adverse impact on our economic assistance program, but little effect on the military side.

The military assistance request for 1984 includes $156 million in MAP, $36.5 million in FMS and approximately $9.8 million in IMET. The dire economic situation in Africa dictates that we emphasize grant assistance over credit assistance. ($156 million vs $36.5 million).

A significant feature of this request is that it is a decrease from the 1983 request ($227 million in 1983, $202 million in 1984). The military assistance priorities remain much the same in 1984: The Horn countries, Liberia, and Botswana account for the majority of our request. This military request is carefully scrubbed and scrutinized and represents minimum levels to do the job. We feel strongly that we must continue to assist key countries in achieving military viability and stability along with economic stability.

The fiscal year 1984 ESF request of $409 million, intended for 13 key countries and one regional program, is a direct response to the current economic crisis in Africa. ESF is our major means of providing quick disbursing assistance in support of policy reform efforts. In its 1981 landmark study on sub-Saharan Africa the World Bank report emphasized that "quick disbursing balance of payments assistance is critically needed in some countries to permit fuller operation and mainte-

nance of existing productive capacity and infrastructure." This is the case in such countries as Sudan, Liberia, Kenya and Somalia. In these countries we combine ESF and DA to form a coherent economic strategy.

In Sudan we have requested $120 million, a $25 million increase over fiscal year 1983. This large sum will be required to enable us to maintain the lead in helping this critical African country out of its current economic crisis, the most profound in sub-Saharan Africa. In Kenya we have requested $42 million in ESF ($12 million higher than fiscal year 1983) which will be used to encourage economic restructuring, in particular reform of an inefficient system of import controls and the eventual privatization of inefficient parastatal firms. In Somalia, we are requesting $35 million, $14 million more than fiscal year 1983. This money will be used to support and encourage liberalization of the Somali economy and for the importation of vitally needed commodities in a country which is essential to our Horn strategy.

The request of $350 million in Development Assistance (DA) in fiscal year 1984 provides support for activities in agriculture, health, population and long-term institution building. This is only $14 million over the fiscal year 1983 CR level. These AID programs are now being fashioned to give maximum support to the indigenous private sector, including small farmers. The request includes $103 million for the Sahel Program, our major bilateral support for a region which has the most acute developmental needs in the world, and which is also on the front lines of Libyan expansionism.

It is vitally important that we maintain a balance between our project and non-project assistance activities. Although present conditions in Africa have required a shift toward non-project aid, we must not neglect the continuing need for appropriate research and institution building efforts in fields such as agriculture. Even though a straight lining of the fiscal year 1983 level is only $14 million below the fiscal year 1984 request for DA, we can ill afford even a small cut in this vital link in our overall assistance program to Africa.

Question 3. Assuming that the supplemental request is approved, the Administration's request for ESF in fiscal year 1984 exceeds that for fiscal year 1983 by almost $100 million. Please explain the reasons for this increase.

Answer. The Administration's total foreign assistance request (DA, ESF, Public Law 480, FMS, MAP and IMET) for Africa in fiscal year 1984 is 6 percent or $70 million higher than the fiscal year 1983 request including the supplemental. The increase of almost $100 million in the ESF program is offset by small decreases in several of the other programs.

ESF in Africa has increased in response to the economic crisis gripping the continent. ESF is well suited for assisting economic stabilization efforts by providing balance of payments and budget support at critical time. DA meets the longer term development needs. In key countries, e.g., Kenya, Somalia, Sudan and Liberia, ESF and DA programs are combined in a developmental strategy to meet both the immediate crisis and the need for long term growth. In the Southern Africa region the ESF program supports our long term objectives of promoting political and economic stability in a highly strategic area.

Question 4. In countries with major economic problems such as Sudan and Kenya, what efforts are being made to coordinate assistance among donor countries?

Answer. In the case of Kenya, the British, Canadians, Americans and the World Bank have for some time been consulting closely in Nairobi on their respective aid programs and project portfolios. With Kenya's escalating economic problems, the British have begun playing a lead role among all donors. Last November, they organized a donor conference in London which was followed by a meeting in Nairobi in January arranged by the Kenya Government. This month, the British will sponsor yet another meeting in the series in Nairobi, and in July there will be a IBRD Consultative Group on Kenya. Through such formal conferences, and through informal but close coordination in donor capitals and in Nairobi, project rationalization is advancing and donors are better able to tailor their assistance activities to Kenya's priority needs and its ability to support and sustain aid activities.

In the case of Sudan, the IMF and the World Bank have worked together and with Sudan to develop strategies for addressing Sudan's immediate financial crisis and for medium term recovery. Last fall the IMF negotiated a standby arrangement with Sudan whose implementation was contingent upon Sudan's receiving sufficient program aid to close Sudan's balance of payments gap. Fund resources alone have been insufficient to support a viable stabilization program in Sudan for the past 2 years. Also last fall, the World Bank reached agreement with the Sudanese on a 3-year investment program designed to increase economic output by concentrating on rehabilitating existing productive infrastructure and by eliminating bottlenecks to production.

Sudan's donors met in January and reviewed both the IMF and World Bank programs. Donors agreed to support the IMF program with close to $450 million in fast disbursing program or balance of payments assistance. They agreed that the World Bank program was a lean, well targeted approach to investment for economic recovery and pledged roughly $300 million project aid to implement it. The donors also devised with the World Bank a system for monitoring progress in implementing the investment program. Donors met in Khartoum in March for the first monitoring meeting.

Question 5. How much of an impediment to coordination is a donor country's desire to pursue its own foreign policy interests in a particular country?

Answer. Legal and foreign policy considerations cannot be ignored by donors. For example, in our own case, provisions of the law such as the Clark and Brooke Amendments and Section 620Q of the Foreign Assistance Act place legal constraints on the delivery of U.S. aid in certain countries and under certain circumstances. Furthermore, for policy reasons, the United States does not presently operate bilateral development programs in countries such as Benin, Ethiopia and Madagascar. Other donors likewise must be responsive to camparable constraints.

Nonetheless, where there is a will there is a way. This is no more clearly exemplified than in recent efforts to provide incremental assistance to countries such as Sudan and Kenya where many donors, recognizing the particular urgency of these countries' needs, responded quickly and generously and in a closely coordinated fashion. Within the Sahel, the close cooperation established in the mid-1970's between the eight recipient countries grouped together in the "CILSS" and the donors—over 20 of them—grouped as the "Club du Sahel" has rendered the total international effort there more effective and more rational than would otherwise have been possible. CDA (Cooperation for Development in Africa) brings together the seven major Western donors and is a direct outgrowth of the realization that without close coordination maximum developmental impact could not be attained.

Question 6. Please comment on the "Blumenthal report" which reportedly has raised serious questions about human rights abuses and corruption in Zaire.

Answer. The Blumenthal Report, which came to our attention in September 1982, was written by Erwin Blumenthal, a respected German banker. After a distinguished career, including a period at the Deutsche Bundesbank, he was recruited by the IMF to work for the Bank of Zaire in Kinshasa in the late 1970's. In the body of the report, in which he recounts some of his experience and impressions during his stay in Zaire, he raises questions of human rights abuses and financial misconduct in Zaire. These are issues of legitimate concern to the U.S. Government, though we are not in a position to pass judgment on Mr. Blumenthal's specific allegations. On the subject of human rights, we are in regular dialogue with the Government of Zaire through diplomatic channels and our most recent views on the situation there are contained in the annual human rights report which was published by Congress in February. On the subject of official corruption, our views are also well known to the GOZ. In cooperation with other bilateral aid honors and international financial institutions, we have worked to improve Zaire's economic management. Our own assistance projects are designed and managed with extreme care to ensure that all U.S. funds are properly utilized for the intended purpose. These programs are in most cases aimed directly at those Zairians most in need of our help.

Appended to the Blumenthal Report is an annex which, in press acounts, has sometimes been confused with the body of the report itself. This annex contains an interview with former Zairian Prime Minister Nguza Karl-i-Bond conducted, we understand, through a Belgian journalist intermediary. This interview contains additional, more serious and senational allegations of misconduct, including that of Belgian officials. The U.S. Government is similarly not in a position to comment on such undocumented charges except to note that the Belgian Government has investigated the charges against Belgian officials contained in this annexed interview and determined that they have no basis in fact.

Question 7. Would you comment on how the Administration views recent events in Zimbabwe, especially the violence in the west?

Answer. The Government of Zimbabwe, apparently believing that its security was being threatened and in an attempt to rid the country of the dissidence which has been going on for over a year, deployed the North Korean-trained Fifth Brigade into Matabeleland to try to restore law and order. The brutal tactics employed by the Brigade resulted in the loss of many innocent lives and the terrorizing of thousands more. The atrocities have now apparently stopped and Prime Minister Mugabe has instructed the army to exercise greater discipline in its operation. He has also called for an investigation into the military's action.

We deeply regret the loss of life that has occurred through the actions of the Zimbabwe Army, and the Government of Zimbabwe is fully aware of our concerns. At the same time, however, it remains important to the United States to build a strong relationship with Zimbabwe, which is a pivotal state in the important and volatile southern Africa region.

Question 8. What is the justification for the requested FMS assistance for Zimbabwe (a total of $6 million in fiscal years 1983 and 1984)?

Answer. FMS funds programmed for Zimbabwe will be used by the ZNA to help standardize its inventory. These funds will also help the military finance the purchase of engineering, communications and helicopter equipment. Zimbabwe's critical balance-of-payments problems support the justification for concessionality in FMS credits.

Question. 9. What factors does Kenya's Government believe led to last August's coup attempt? What is your own assessment?

Answer. While the declining economic conditions which prevailed in Kenya at the time of the August 1 coup attempt were readily acknowedged by the Government of Kenya, the government did not attribute the cause of the coup to these factors. Rather the government stated that a lack of discipline within the junior ranks of the Air Force and the influence of external ideologies on some university students who colluded with the Air Force, were the principal reasons for the coup attempt.

We accept this explanation of the coup attempt as being only one of the many contributing factors. We tend to give greater emphasis to the economic decline that has occurred in Kenya over the past 4 years and the expression of some vocal political dissent that had been voiced during the 8 months prior to the attempted coup. Kenya's economic problems had been increasing since the late 1970's without an effective strategy being adopted by the government to ameliorate the situation adequately.

Since the coup attempt the Kenyan Government has made serious and significant strides to overcome its economic problems, particularly in conjunction with the IMF, World Bank and the donor community. Efforts have also been initiated through grass roots political organizing to dissipate the level of political dissatisfaction which existed prior to August 1 and to achieve a degree of political reconciliation. This has occurred against a background where basic human rights have been respected.

Question 10. Please explain the purpose of military aid for Botswana.

Answer. Proposed military assistance for Botswana is for the purpose of border surveillance and control.

Question 11. What is the security threat facing Botswana?

Answer. Botswana's geographical position makes it the logical "safe haven" for refugees and insurrectionists from neighboring South Africa, Angola, Namibia and Zimbabwe. Many of those fleeing to Botswana are armed, many are sought by the government from which they are fleeing, many seek to use Botswana as a staging base for guerrilla activities, and many threaten the lives of innocent Botswana. It has become imperative, therefore, that Botswana be able to maintain its security and control its borders with a properly armed and equipped military force.

Question 12. Reportedly at a recent SADCC meeting, the members discussed the concept of a SADCC-based defense force as a means of countering South African cross-border military activities. What is your understanding of this concept? Would the United States consider contributing to such a regional defense force?

Answer. The last SADCC conference took place in Lesotho January 27 and 28, 1983. A SADCC defense force was not on the official agenda nor was it mentioned in the final communique. It is of course possible there was some private discussion between the delegates on this topic, but we are aware of no concrete proposal.

The United States has always supported SADCC as a developmental, rather than a political organization. Our cooperation with SADCC is designed to meet developmental needs; it is difficult to speculate on what our position would be with respect to a hypothetical question regarding a defense force.

State Department's Responses to Additional Questions Submitted by Senator Helms

Question 1. Mr. Crocker are you familiar with the former Section 720 of the International Security and Development Cooperation Act of 1980, a section requiring reports on aid to Zimbabwe which was repealed in 1981? This section required the President to report to Congress every 60 days regarding the implementation of the Lancaster House Agreement Declaration of Rights.

Answer. We are familiar with that legislation; it required that the President report to the Congress every 60 days regarding Zimbabwe's adherence to the Lancaster House accord.

Question 2. Do you think it would be a good idea to re-enact similar legislation in the light of current evens in Zimbabwe?

Answer. We monitor events in Zimbabwe very closely and our conclusions are reflected in the annual human rights report and in periodic testimony by Administration officials before committees of the Congress. We do not believe that the submission of periodic written reports to the Congress would add to our effectiveness in addressing abuses of human rights through quiet diplomacy. With regard to current events in Zimbabwe, the Government is fully aware of our views and we continue to monitor the situation closely.

Question 3. Do you think that Prime Minister Mugabe's statements about the necessity of a one-party state are consistent with the view of Zimbabwe's future embodied in the Lancaster House Agreement.

Answer. We continue to believe that the wisest course to long-term peace, stability and prosperity in Zimbabwe is that it continue as a multiparty democracy. Prime Minister Mugabe has publicy stated his own preference for a single party encompassing the whole Zimbabwe population. However, in stating his preference he has made it clear many times that this could only evolve in accordance with the provisions of the Constitution of Zimbabwe. The Constitution agreed to by all parties to the Lancaster House negotiations contains very rigorous provisions for its amendment, and it would be only through amendment of that Constitution that a one-party state could legally be brought about. It is also possible that a coalition government or party merge could be negotiated without deviating from the Constitution.

Question 4. Do you think that the control of the major newspapers by the Newspaper Trust, which in turn is controlled by the government, is tantamount to a government-controlled press?

Answer. The Zimbabwe Mass Media Trust has a 46 percent controlling interest in Zimbabwe Newspaper Ltd., the publisher of the two major and two Sunday newspapers in the country. there is, however, no indications that Trust officials play a role in guiding editorial and news coverage or intervene in day-to-day newspaper operations. The editors of the papers appointed since the trust acquired control of the company reflect different views and come from different backgrounds. For example, the editors of the two dailies had connections with the ruling ZANU-PF party while the editor of one Sunday paper is a former ZAPU official and the editor of the other has no formal party links.

While there are instances where the hand of the GOZ can clearly be seen in reports and commentaries, the greatest problem facing the newspapers is the Government's unwillingness to cooperate with the press in providing confirmation or comment on events occurring in the country. The press will often not publish a story without the Government's confirmation or comment, a practice which was also observed by Rhodesian newspapers throughout the UDI period.

Question 5. Do you think that it is proper, in a period which is supposed to be a period of national reconcilation, to continue the war-time restrictions on civil rights imposed by the Smith administration during a period of terrorism and subversion?

Answer. The Government of Zimbabwe (GOZ) has stated each time that the Law and Order (Maintenance) Act and the State of Emergency have come up for renewals that the security situation in the countryside does not yet warrant abandoning the emergency powers enacted during the UDI period. Under the Constitution drawn up at Lancaster House, the provision of existing legislation such as the Law and Order (Maintenance) Act and the State of Emergency may be maintained, if the House of Assembly so approves by resolution of more than one-half of its total membership. The Government has stated that it is committed to national reconciliation. There, nevertheless, continues to be armed opposition to the central authority and some emergency powers are obviously used by the Government in dealing with this security situation.

Where use of these powers has led to human rights abuses, we have made our concerns known to the GOZ. At the same time we are aware of the Government's view of the need to maintain law and order in the face of armed dissidence and the pressures on the Government from commercial farmers and others to do so.

Question 6. How often are opposing political parties allowed to have public meetings or rallies? Do they require specific permission?

Answer. All political parties—government and opposition—must inform the authorities of their intention to hold public meetings or rallies. Unless the police or other competent local authority perceives an objection, the meeting may then be

held. We understand that there are no restrictions on the number of such meetings. Decisions on applications appear to be based on the time and place of the meeting and the security situation prevailing in the area.

Question 7. The Declaration of Rights signed at Lancaster House provides, among other things for the following:

"Article IX. It will be forbidden, except with the consent of the person concerned, to interfere with anybody's freedom of expression. This freedom will be defined as including freedom to hold opinions without interference, freedom to receive ideas and information without interference, freedom to communicate ideas and information without interference and freedom from interference with one's correspondence."

"Article X. It will be forbidden, except with the consent of the person concerned, to interfere with anybody's freedom of assembly and association. This freedom will be defined as the right of every person to assemble freely and associate with others and in particular to form or belong to political parties or to trade unions or other associations for the protection of his interests."

My friend, former Prime Minister Ian Smith, came to Washington last December, and spoke not only to members of the Senate but to members of the press. He made no statements critical of Mr. Mugabe, except for opposition to Mugabe's plans for a one-party Marxist state. Upon his return, he was detained, his house was searched without his permission, his mail was intercepted, and he is forbidden to leave the country. Do these actions seem to you to be in accord with the Zimbabwe Declaration of Rights?

Answer. The GOZ has stated that it believed Mr. Smith made subversive or seditious statements outside the country during his many meetings with American and British officials and in press interviews. The State of Emergency and the emergency powers which provide for detention, which have been "grandfathered" under the Lancaster House Constitution, provide for the abridgement or suspension of certain of the rights protected in the Declaration of Rights and the Constitution. While in each instance the Zimbabwean authorities operated within the law and regulations in questioning Mr. Smith and searching his property, the pattern of activity against him could be interpreted as an intention to harass him and prevent him for making his opinions freely known, contrary to the spirit of the Declaration of Rights. Such actions are clearly not in accord with the Zimbabwe Constitution.

Question 8. Wallace Stuttaford, a Member of the Zimbabwe Parliament and a member of Mr. Smith's party, met with eight leaders of black parties to discuss in private the trend towards a one-party state. He was subsequently arrested, his home searched without warrant, he was put in jail for a year, tortured according to affidavits, deprived of medicines necessary for his physical condition—all without charges being brought against him. Finally he was taken to court after a year of being held without charges. The government witnesses who had signed sworn statements against him recanted in court saying that they had been forced to swear falsely. Mugabe's own judge was forced to acquit him and award him damages, which were subsequently taken away by *ex post facto law.*

Do these seem to be in accord with the Declaration of Rights?

Answer. The overall handling of the Stuttaford case was not in accord with the Declaration of Rights and the charges of torture during his interrogation appear to be true as was stated in the 1982 Human Rights Report.

Question 9. Mr. Dennis Walker, another member of Parliament and member of Mr. Smith's party, was out of the country at the time of Mr. Stuttaford's arrest. He played a role in alerting the world about the situation. He was told that if he returned, he too would be arrested. He returned clandestinely, for a short period, then appeared openly in Parliament. His house was searched illegally, and he fled the country and now lives in exile in England.

Does this seem to be in accord with the Declaration of Rights?

Answer. Mr. Walker reportedly left the country because he believed he would be arrested; he has also forfeited his seat in Parliament. It is difficult to say if there has been any violation of the Declaration of Rights in this instance since Mr. Walker's case has never been considered in a court of law.

Question 10. Acting under laws that were meant for wartime emergencies, Mugabe passed a law that said that the property of anyone declared to be "an enemy of the people" would be confiscated. Within a month after the passage of this act, eight members of Mr. Smith's party in Parliament—eight of the twenty—withdrew and declared themselves independents. Naturally, they were large landholders. Do you think this sequence of events was an act of political intimidation in accord with the Declaration of Rights?

Answer. We believe the MPs who quit Mr. Smith's RF party are the best authorities on their motive for doing so. However, one independent member of Parliament has stated that those members of Parliament who resigned from the RF were not intimidated by the measures dealing with the confiscation of an enemy's property.

Question 11. Mr. Stanley Malumisa, one of the organizers of the United Federal Party, a black party, was one of the witnesses who had been called against Mr. Stuttaford in October 1982. When he withdrew his perjured testimony, he was arrested and held without charges. What is the fate of Mr. Malumisa? Is this incident in accord with the Declaration of Rights? The other two witnesses who withdrew were Mr. Anthony Madhela and Mr. Nephat Madhela. What is their fate?

Answer. Our Embassy in Harare has been informed that, as of March 17, Messrs. Malumisa, and Anthony and Nephat Madhela remain in detention. While they have not been formally charged, we have been told that they have been informed of the reasons for their detention, as required by law. This information is not available to the public. The detention review tribunal will meet "soon" to consider whether it is necessary or appropriate for them to remain in detention. Their detention immediately after the Stuttaford trial appears to be in violation of the spirit, if not the letter, of the Zimbabwean constitution.

Question 12. Another section of the Declaration of Rights guarantees freedom of religion. One of Zimbabwe's best-known and most loved independent black evangelists is Pastor Musa (Ndabezinhle Musa). On January 3, Pastor Musa was arrested and held without charges. After a considerable uproar had been raised, he was released on January 13—which, incidentally, was the day before the end of the African-American Institute conference in harare. Pastor Musa is a Matabele, which in Mugabe's eyes is the wrong black nation. He is also a convert from Communism, calling Marxism "an enemy of Christianity." Is this in accord with the Declaration of Rights?

Answer. The Reverend Musa was arrested after having been named by another prisoner as a recruiter of spies among disaffected former members of the UANC, the party of Bishop Muzorewa. He was released on January 12 when the allegation was proved to be without foundation.

Question 13. Joshua Nkomo is not the sort of person I admire. I still remember his claiming credit for shooting down a civilian plane with a rocket. Nevertheless, he is an important political leader in Zimbabwe. Recently he was prevented from leaving the country; he and his people have been harassed. This morning's paper reports that he is in hiding. Is this in accord with the Declaration of Rights?

Answer. Dr. Nkomo apparently believed that his life was in danger, and this belief led him first into hiding and then to flee the country. His driver was killed during the course of a police and army search at Nkomo's residence in the Bulawayo suburbs on March 5, and there are reports that officials of his party, ZAPU, have been arrested by GOZ officials. Some are alleged to have been killed by the Fifth Brigade. These actions are not in keeping with the Declaration of Rights or the Government's own avowed policy of reconciliation. We have made our concerns in this regard known to Zimbabwean officials at senior levels. Prime Minister Mugabe has said that Nkomo is welcome to return home at any time without fear of arrest.

Question 14. How many persons are in detention without trial in Zimbabwe today?

Answer. Several opposition members of Parliament have asked the Minister of Home Affairs to provide figures for the number of persons being detained in Zimbabwe. He has repeatedly refused to do so, and our Embassy is unable to provide a figure.

Question 15. You are asking for $75 million in Economic Support Funds. Will this money go to support the one-party Marxist system that Mugabe is building?

Answer. U.S. economic assistance to Zimbabwe is not designed or intended to support or reinforce the development of a one party Marxist system. Zimbabwe is and has been for a long time a mixed economy. Our assistance programs in Zimbabwe support the preservation of a mixed economy and seek to increase agricultural productivity of small scale and commercial farmers; expand employment opportunities in the private sectors and in rural areas; to stimulate and support new investment and private sector activity; and to broaden effective participation in the economy; without which the future of all private economic activity could be jeopardized. The $75 million in fiscal year 1983 will provide:

A commodity import program (CIP) of $36.7 million. Eighty (80) percent of the CIP is now allocated to private sector importers, providing the much needed foreign exchange to import parts, equipment and materials essential to maintain industrial and commercial farming output and to keep many private sector operations in busi-

ness. The local currency generated by these funds is held in a special account and jointly programmed by AID and the GOZ for development activities. Many of these local currency funds go to support infrastructure (marketing depots, grain storage facilities and training institutions) which help the private sector assistance programs in education and agriculture. Funded at $15 million each, would support programs of policy reforms in these two critical sectors. At least 50 percent of the foreign exchange from these programs will be allocated to private sector imports. Local currency generations would then be used to implement programs in pre-identified constraint areas. In agriculture the focus is on programs directed toward eliminating constraints which impede the productivity of farmers. These are: inadequate research, extension, credit, marketing, land and water-use, agricultural manpower and planning. In education the focus will be on implementing sector reforms that develop more cost efficient education methods in a system that remains based on largely private, community-managed schools.

$5.1 million will be provided to support Zimbabwe manpower training and the provision of short-term technical assistance. Much of the training provided will be for individuals who will return to teach in private and public training institutions. It is important to recall that after foreign exchange the single greatest impediment to the private sector's growth in Zimbabwe is the shortage of skilled manpower.

A $2.9 million community development project would focus on support for non-governmental organizations (NGO's) to provide a wide-range of services to the community. This project will develop closer linkages between U.S. private organizations (such as the YMCA) and local NGO's.

Finally, $300,000 is supporting the very successful efforts of the Private Adult Literacy Organization of Zimbabwe to expand its production of books and teaching materials to broaden the coverage of its adult literacy program.

The above programs continued in fiscal year 1984 and others supported with local currency generations all, in our view, have a private sector participatory orientation which emphasizes and promotes growth, equity, productivity and private enterprise.

Question 16. What guarantees are there that this money will go to the private sector?

Answer. Of the $75 million requested for FY 1984, it is planned that $35 million will be used to finance the importation of goods from the United States. As was the case under our 1982 CIP, the relevant agreements with the GOZ will require that a minimum of 80 percent of the funds be allocated for use by the private sector. Experience with our 1982 program has shown that the GOZ can effectively implement this requirement. Funds under the 1982 program have been allocated to import such goods as manufacturing equipment, computers, raw materials, agricultural tractors, combines, construction equipment and equipment for the heavy transport industry.

The private sector has also benefitted from the importation of goods under the 20 percent allowed for the public sector. In most cases, the importation of the goods has been carried out by local dealers representing U.S. manufacturers in Zimbabwe. By increasing the holdings of their products in the country, the dealerships are strengthened, which in turn makes them more competitive with representatives of non-U.S. manufacturers. Another example is the allocation of $3.3 million to the Cotton Marketing Board (CMB), a quasi-public-sector organization, for the importation of high density cotton compressors and a complete cotton gin. The cotton gin and one compressor are to be installed in an area where the cotton is grown by private small holder farmers. According to the CMB, over an 18-month period ending in August 1982, the registration of small-holder farmers growing cotton jumped from approximately 46,000 to over 86,000. Without question, it can be said that the largest single group in the private sector is made up of small-holder farmers.

Question 17. Will the money be routed through government agencies or through government credit allocations and controls?

Won't this method give Mugabe more leverage over the remnants of the private sector, making it impossible for them to support a political opposition? Does this make a mockery of private enterprise?

Answer. Under the CIP, the money set aside for the private sector will be allocated by the GOZ using its existing procedures for allocating foreign exchange. These procedures, using a committee system with five categories of import priorities, were put in place by the Smith government. Unchanged since independence, the system has been reviewed by USAID and the World Bank and found to be acceptable in implementing the respective programs of these agencies.

The allocation of public sector funds is coordinated by the Ministry of Finance, Economic Planning and Development. The IMF has recommended that the Government move away from exchange controls as soon as possible. However, with demands for foreign exchange far outstripping availability, it has been necessary for

the Government to maintain an allocation system based on development priorities rather than consumer demand. The IMF has agreed. This exchange control procedure is similar to import management in most developing countries. There is no evidence that foreign exchange allocation under our program is being used in any political manner. A GAO team has just looked at the program and reported to our Embassy in Harare that it found the system to be satisfactory in approach and implementation.

Question 18. There was a similar debate three years ago over giving aid to Nicaragua. It was argued then that it would support the private sector. I pointed out that it would strenghthen socialism control. There are few who would argue that Nicaragua is in the hands of a Marxist-dominated government today. Do you see a parallel with Zimbabwe?

Answer. A close examination of the economic and social programs of the Mugabe government suggests a desire to balance the goals of equity and growth. Education and health programs have been reoriented to address the interests of the majority of Africans. There has been an espousal of support for small farmers and some non-utilized or under-utilized land has been distributed to peasants. We see in these developments a pattern not unlike that followed in other African nations after independence. The Mugabe government has adopted some measures such as minimum wage raises which worry the private sector. At the same time, voices calling for major programs of nationalization, expropriation and masssive land resettlement have not been listened to by the Zimbabwe leadership. In the fields of monetary and fiscal policy, there is growing evidence of rational and sound policies aimed at maintaining business confidence and Zimbabwe's credit worthiness. There is little to suggest that a radical departure from this careful, balanced approach is imminent. Our assistance programs are consciously designed to bolster the Zimbabwe private sector and are much appreciated by both the business and official communities. Those programs are also frequently pointed to as models by others in the western donor community. In sum, while there may be parallels, between some selected policies in Zimbabwe and those in Nicaragua or elsewhere in Africa, there has so far been a relatively positive policy climate supportive of a mixed economy and resistance to many counterproductive socialist dogmas that could have wrecked Zimbabwe's economy. Our programs, we believe, have strengthened the hand of those in Zimbabwe who wish to see its economy broadened and Africanized but not wrecked.

Question 19. Do you think that aid to Zimbabwe should be conditioned upon progress towards strengthening multi-party democracy and free enterprise?

Do you think aid to Zimbabwe should be conditioned upon how well Zimbabwe is keeping to the Declaration of Rights?

Answer. The United States commitment to provide substantial assistance to Zimbabwe was made at the March 1981 Zimbabwe Conference on Reconstruction (ZIMCORD) and not at Lancaster House. The ZIMCORD pledge announced then indicated that the United States would pledge $75 million to Zimbabwe in fiscal year 1982 and similar amounts based on progress in that country and Zimbabwe's needs. The aid program in Zimbabwe is supporting free enterprise and democratization and is facilitating the private sector's role in the country's growth. Democracy should be measured at least in part in terms of individual freedom and participation. For instance, the agriculture sector in Zimbabwe has, since independence, been opened up to small, mostly African farmers to participate, as private enterpreneurs, in the economy as never never before. Another example is education. Between 1979 and 1982 school enrollment increased from 85,000 to 2,122,000. In 1979 $530 of public funds were spent for the education of each white child versus $46 for each African child. This practice has ended. The Government has modified its initial policy of free education for all and has reinstituted a system of school fees. Ninety percent of the schools remain private, in that they are directed and managed by local communities, by parents and local authorities. The Government is actively following a policy of more decentralized community management in education. AID funds are supporting these developments within the school system.

Our aid program has assisted in seeing that more foreign exhange is channeled to the private sector in helping farmers participate in farming as individual enterpreneurs; in helping the Government to assist emerging small businessmen; in encouraging publication of a private investment code; and in developing systems to control public expenditure. We believe that our dialogue with Zimbabwe in development policy and, specifically, on our assistance programs affords us ample opportunity to make our views and priorities clearly known to the GOZ in a spirit of cooperation and mutual respect. We intend to continue along this track. We will also continue to make the obvious point that violations of human rights and individual freedoms

place in jeopardy our ability to provide further assistance as the American people themselves lose confidence in the effectiveness of our cooperation with Zimbabwe.

USIA's Responses to Additional Questions Submitted by Senator Kassebaum

With fiscal year 1982 monies, 55 U.S. Fulbrighters are being funded as lecturers in 18 countries of Sub-Saharan Africa. Fourteen additional African countries participate in other aspects of the Fulbright program.

Nearly all of the U.S. lecturers are funded for 10–12 months. The average cost is $30,275 for those fully funded by the U.S. Government, ranging from a low of $20,900 for a junior lecturer in Zimbabwe to a high of $43,512 for a senior professor with unusual needs in Botswana. The second highest grant totals $37,174.

These figures indicate total costs, including round trip air fares for the grantee and any accompanying dependents, maintenance allowances, and any school fee for dependent children. The wide range of variation reflects differences in the cost of living among the countries, the number of dependents (and their needs), different travel expenses, and cost-sharing by host universities or governments.

These figures do not include the costs of 19 U.S. lecturers working in Nigeria, because Nigeria pays most of their expenses, including round-trip travel and full Nigerian university salaries. The U.S. Government contribution supplements of 15 of these lecturers at $9,500 each. If these payments were factored into regional calculations, the average cost to the United States of an American lecturer in Africa would be reducted to $23,350.

Overall, the fields most heavily represented are these:

6 Education
5 American Literature
3 Business Administration
4 History
4 Mathematics
5 Political Science

Just under one-third (16 out of 55) of the U.S. Fulbright lecturers work in fields of science and technology. These persons are distributed in the following fields:

4 Mathematics
3 Biology
2 Chemistry
1 Human Medicine
1 Dentistry
1 Geology
1 Mechanical Engineering
1 Physics
1 Veterinary Medicine

USIA's Responses to Additional Questions Submitted by Senator Percy

Question 1. Five of the proposals requiring fiscal year 1983 supplemental funding in Project Democracy would have a direct impact on the Administration's efforts in Africa: (18) Group Projects for Africa's Transition to Democracy; (29) African-American Issues Center; (30) African-U.S. Scholar Exchanges and Univeristy Linkages and (31) English Teaching Initiative in Africa. Our long-term strategic interests in Africa will be best served only with the development of genuine and stable democratic systems reflecting the will of the people. These Project Democracy programs have been carefully selected for their potential impact in reinforcing the still tenuous political, intellectual, and social infrastructure essential for that development.

Answer. Assistant Secretary Crocker has provided additional information on the specific proposal to encourage Liberia's transition to democracy in his March 22 letter to Senator Kassebaum.

Question 2. Successful implementation of the proposals under the Project Democracy initiative requires increase over the fiscal year 1983 supplemental funding at the levels indicated in USIA's fiscal year 1984 submission. Note an additional project, "Support for the Free Press in Africa", which has been proposed only for fiscal year 1984, not for fiscal year 1983 supplemental, funding.

Answer. Approximately 10,000 individuals annually seek assistance from the educational counselling service administered by USIA posts in South Africa.

Most USIA programs of concern to this question fall within the jurisdiction of the U.S. Education and Cultural Foundation/Liberia, whose principal purpose according to its charter is bilateral understanding. Within this mandate, however, the Foundation Board is reviewing the 1984–85 program with a view toward redirecting its projects to incorporate more of Liberia's educational needs.

Some of the proposals under consideration include assigning U.S. experts in curriculum development and/or teacher training to the Ministry of Education as well as to universities and teacher workshops. The Director of the Foundation has visited

a number of American institutions offering teacher training opportunities close contact with Dr. Kofa.

Foundation programs over the years have contributed to the development of Liberia's educational infrastructure. An average of 35 graduate student grants have been awarded annually for the past eight years. Most of the Liberian students pursue higher degrees in mathematics, the sciences, engineering and business administration. An average of five Americans go to Liberia annully as Fulbright professors, teaching principally in the same fields.

Joint Department of State, AID, USIA Responses to Additional Questions Submitted by Senator Helms Concerning the African American Institute

In connection with the March 8, 1983 testimony of Assistant Secretary Chester Crocker, Department of State, Bureau of African Affairs, before the Subcommittee on Africa of the Senate Foreign Relations Committee, Senator Helms addressed a series of "Questions for the Record" about the African-American Institute (AAI) to Assistant Secretary Crocker, Assistant Administrator F. S. Ruddy, Agency for International Development, Bureau for Africa and Director Arthur Lewis, United States Information Agency, Office of African Affairs.

Each of the affected agencies independently reviewed and prepared answers to the Senator's questions, which have been compiled by the Department into a single, coordinated response. (In addition to those represented before the Subcommittee, the Bureau for Refugee Programs of the Department of State provided information for the presentation of this response. Since 1980, the Bureau for Refugee Programs has administered the African refugee student scholarship program.)

For each of the numbered questions, the composite answer identifies by separate paragraph the response of the respective bureau. Where a single-numbered question posed mutiple inquiries, the separate questions and responses have been lettered—(a), (b), (c), etc.—in the order in which they appeared.

The answers provided in this response are based on information obtained and maintained by each bureau in the normal course of administering its contract or grant program with AAI. To the extent that relevant information is available in agency records, the bureaus have replied to each question posed by Senator Helms. However, the bureaus must point out that, as a matter of policy and practical administration, they do not require the submission of information respecting collateral matters or in the degree of detail suggested by some of the questions. In keeping with Administration policy of reducing paperwork and reporting requirements imposed by Government on private and state entities, the bureaus did not request or collect information beyond that necessary to the proper administration and monitoring of Federal programs. Where responses to certain questions would require information that, due to policy and practice, is not available to one or more of the bureaus, it is so indicated in the following responses.

In order to respond completely to the Senator's questions, the bureaus have supplied data from existing AAI files without regard to the possible proprietary (e.g., salaries) or confidential (e.g., statements of employment and financial interests) nature of information in those files. Such information is being provided with the understanding that the Subcommittee will take appropriate steps to safeguard the legitimate interests of AAI.

Question 1. (A) What is the salary and benefits of the five most highly paid AAI employees? (B) What portion of these costs is paid by USIA or USAID contracts? (C) How do these salaries compare with similar organizations wiith whom your agencies contract on a noncompetitive basis?

(Note.—The following material consolidates responses by USIA and AID, and adds information on salary costs charged to State grants.)

Answer. (A) The most recent U.S. Government audit information on AAI senior staff salaries, dated September 30, 1980, is:

President	$79,032
Executive Vice President	74,592
Senior Vice President	61,560
Vice President and Treasurer	58,920
Director for Administration	40,688

(USIA assumed the role of cognizant auditor. That role has shifted to AID, which has scheduled a new audit for the near future.)

The figures indicated above were the salaries earned by the employees, not the amounts paid under U.S. Government contracts. AIID contract provisions impose a

ceiling on direct charging of salaries. The criterion is the maximum salary of an FSR-1 (the AID designation in 1981), unless the contracting officer approves otherwise. USIA and the State Department observe AID's policy in their grant agreements with AAI. The 1980 audit report noted that AAI included amounts in excess of the ceiling in the indirect cost pool. This action by AAI was corrected by the audit.

(B) AAI's budget for direct costs of AID and State grants and contracts for the period February 1, 1982 to January 31, 1983 allocates charges for salaries of three senior AAI officials as follows:

	AID		State	
	Percent	Amount	Percent	Amount
Senior Vice President	10	$5,850	10	$5,850
Vice President and Treasurer	35	20,475	10	5,850
Vice President	75	45,875	15	8,775

In fiscal year 1982, USIA authorized 5 percent ($2,783) of the salary of the Senior Vice President. USIA also authorized 80 percent ($36,825) of the salary of the Director of AAI's Washington office.

(C) USIA has grant agreements with a number of organizations, e.g., Visitor Program Service of Meridian House International and Operation Crossroads Africa. The organization most similar in structure to AAI however, is the Institute of International Education. Audit information dated September 30, 1980, lists IIE senior salaries in 1980 at:

President	$86,226
Vice President for Administration	52,572
Vice President for Governmental Affairs	46,311
Vice President for Educational Services	46,120
Vice President, Regional Offices	44,611

Four organizations similar to AAI which receive grants for AID are the Asia Foundation, America-Mideast Educational and Training Services, Inc. (AMIDEAST), Experiment in International Living, and the Phelps Stokes Fund. Information available to AID shows the following salaries of senior officials in these organizations for the years indicated:

Asia Foundation (1982):	
President	$57,500
Executive Vice President	44,789
Director of Programs	41,000
AMIDEAST (1981):	
President	38,000
Senior Vice President	34,000
Vice President	34,000
Experiment in International Living (1981):	
President	54,500
Vice President/Finance	34,880
Vice President/School of International Training	34,880
Phelps Stokes Fund (1981):	
President	67,500
Vice President	47,563
Vice President	43,363

Question 2. (A) Since March 1980, how many trips to outside the United States have been taken by AAI employees? (B) What was the total cost of this travel? (C) What portion was charged to U.S. Government program costs, and what portion charged to AAI's nongovernmental programs? (D) Please provide for the five employees in the previous question a complete list of overseas travel, including complete itineraries for each trip, with an indication of which trips were charged in part or in full to U.S. Government programs.

USIA

Answer. (A-D) USIA does not authorize travel outside of the United States in its current contract with AAI, therefore no portion of overseas travel by AAI employees was funded by this Agency.

USAID

Answer. (A) AID has records of trips by AAI employees outside the United States that were made for purposes authorized by AID contracts. For example, 10 trips to Africa were made by AAI staff since March 1980 to select candidates for the African Graduate Fellowship program. AID does not have a record of trips outside the United States by AAI staff that were made for purposes other than authorized by AID contracts.

(B-C) The cost of trips authorized by AID contracts are charged to U.S. Government programs. Claims for reimbursement of travel costs are subject to audit review.

(D) Since March 1980, no senior AAI officials have traveled overseas under authorization of AID's contracts with AAI. In 1983, the President of AAI traveled to Guinea, in an individual capacity, to participate in the Guinea Presidential Agribusiness Task Force. His travel was funded by an AID purchase order unrelated to AID's contracts with AAI.

State/RP

Answer. (A) In awarding funds to organizations for administrative expenses to be incurred under grants and cooperative agreements, the Bureau reviews and approves budgeted expenses by general category, but does not require submission of details such as the name of each traveler or the number of trips taken. This information, of course, would be included in financial substantiating documentation and available for audit.

(B) Relevant information is not available.

(C) Relevant information is not available. As previously stated, grantees are not required to submit information on budgeted expenses as to the categories contained in this question.

(D) Relevant information is not available.

Question 3. (A) How many offices does AAI maintain in Africa? (B) What is the cost of each office, including salaries, communications, travel, and other expenses? (C) What amount is charged to USIA and USAID program expenses? (D) In view of the U.S. Embassy personnel in each country, what U.S. Government function is served by these offices?

USIA

Answer. (A-B) USIA does not have a record of the number of African offices maintained by AAI or their costs.

(C) USIA has no official relationship with AAI's overseas presence.

(D) No USIA function is served by AAI's overseas offices.

USAID and State/RP

Answer. (A) AAI has 24 representatives in Africa who are usually employed on a part-time basis to perform administrative functions for AAI programs. AID does not have information concerning the number of these Representatives whose activities and facilities might be termed AAI offices.

(B) The location of AAI's Representatives and the budgeted expenses charged to the U.S. Government for the activities of each Representative for the period February 1, 1982 to January 31, 1983 are given below:

	Salaries and benefits	Travel	Telephone; cables, postage, supplies	Total
Abidjan, Ivory Coast	$6,098	$500	$800	$7,398
Accra, Ghana	3,953	200	500	4,653
Addis Ababa, Ethiopia	976	133	400	1,509
Bamako, Mali	3,162	100	500	3,762
Banjul, Gambia	1,200	100	300	1,600
Bissau, Guinea Bissau	3,269	100	500	3,869
Dakar, Senegal	5,832	700	400	6,932

	Salaries and benefits	Travel	Telephone; cables, postage, supplies	Total
Dar es Salaam, Tanzania	2,400	100	300	2,800
Freetown, Sierra Leone	5,702	400	700	6,802
Gaborone, Botswana	6,854	300	400	7,558
Kampala, Uganda	4,300	200	500	5,000
Kinshasa, Zaire	4,300	300	700	5,300
Lagos, Nigeria	27,691	1,434	2,708	31,833
Lilongwe, Malawi	1,710	300	450	2,460
Lome, Togo	2,400	300	500	3,200
Lusaka, Zambia	13,368	800	1,600	15,768
Maseru, Lesotho	2,690	150	300	3,140
Monrovia, Liberia	5,040	600	1,400	7,040
Nairobi, Kenya	5,754	600	1,000	7,354
Ouagadougou, Upper Volta	2,220	100	300	2,620
Tunis, Tunisia	519	33	99	651
Yaounde, Cameroon	4,537	200	500	5,237
Harare, Zimbabwe	9,600	300	700	10,600
Brazzaville, Congo	1,440	100	300	1,840
Totals	125,019	8,050	15,857	148,926

(C) All of the budgeted expenses for AAI representatives in Africa listed above are charged to AID and State Department contracts and grant agreements with AAI. 63.8 percent ($95,078) of the total amount listed above was charged to AID. 36.2 percent ($53,848) was charged to State. In fiscal year 1983, State's Refugee Bureau provided support for AAI representatives in the following locations: Accra, Addis Ababa, Dar es Salaam, Freetown, Gaborone, Harare, Lagos, Lusaka, Maseru, Monrovia and Nairobi.

(D) AAI Representatives in Africa provide administrative support for the African Graduate Fellowship program, Southern African refugee training programs, and training programs for students from former Portuguese colonies. These are U.S. Government funded programs not carried out directly by U.S. Government personnel.

Question 4. AAI's 1981 Annual Report shows that contributions were received from 114 different contributors, yet AAI spent only $1.29 on fund raising telephone calls and 98 cents on postage. (A) How is it possible to raise over a million dollars with so little effort or expense? (B) Has USIA or USAID ever audited AAI to verify that U.S. Government program funds provided under noncompetitive contract procedures for nonprofit organizations are not being used to subsidize AAI's nongovernmental programs? (C) If not, why not?

Consolidated agency responses

Answer. (A) None of the responding agencies has relevant information.

(B) Audits have regularly been performed of U.S. Government grants and contracts with AAI. A part of normal audit procedures include (1) a review of the appropriateness of direct charges against the contracts, (2) a review of the contractor's accounting system to assure proper allocation of costs to various contracts, and (3) a review of costs included in the contractor's overhead account. These procedures are designed to verify, among other things, that the costs of the contractor's other operations are not being subsidized by U.S. Government funds. Audits of this nature of AAI have been conducted by the Defense Contract Auditing Agency and USIA on behalf of all government agencies.

(C) Audits have been performed as discussed in response to 4(B). These audits were:

AID Audit Report No. 83-25, dated December 6, 1982, which constituted an analysis of USICA audits 82-7 and 82-9 of AAI for the period June 1, 1978 through September 30, 1980;

AID Audit Report No. 80-43, dated April 7, 1980, which constituted an analysis of the USICA audit of AAI for period July 1, 1976 through June 30, 1978;

AID Audit Report No. 76-364, dated June 18, 1976, which constituted an analysis of the Defense Contract Audit Agency's audit of AAI for the period July 1, 1974 through June 30, 1975.

In addition, portions of AID Audit Report No. 80-57, dated May 15, 1980, were concerned with AAI.

Question 5. Will you undertake an audit of AAI to verify that no U.S. Government funds are being expended in support of nongovernmental activities?

USIA

Answer. Yes. All grants to AAI and all other USIA grantees are routinely audited to ensure that grant funds are used only for the purposes specified in the grant.

USAID.

Answer. Yes. AID has requested a regular audit. This will determine the appropriateness of contract expenses, in particular the questions raised by Senator Helms.

State/RP

Answer. The Bureau's grant agreement with AAI requires the submission of AAI's annual financial report as prepared and certified by its independent auditors. A request for another audit of the refugee scholarship program has been placed with the State Department's Inspector General, who expects the audit to be conducted this summer.

Question 6. (A) In 1981, AAI apparently spent $130,000 in staff travel. What controls are there on staff travel charged in part or in full to government program costs? (B) Should there not be closer monitoring of contractor staff travel? (C) What procedures will you implement to monitor this travel more closely? (D) Should not prior approval of the contracting agency be required for all international travel charged to U.S. Government programs?

USIA

Answer. (A-D) USIA currently funds very limited AAI staff travel and only within the United States—$6,371 in staff travel was charged to USIA grants in Fiscal Year 1981, which is subject to audit.

USAID

Answer. (A) AID contracts with AAI include standard provisions for regulating the amount of travel costs that may be reimbursed under the contracts. The contracts also stipulate that AAI must obtain prior approval from AID for all international travel by AAI staff that is to be reimbursed under the contracts.

(B) The standard provisions for AID contracts with AAI for monitoring travel by AAI staff have been adhered to by AID and AAI. These procedures combined with post audit review we believe are adequate for management control. If the audit referred to in our response to question 5(A) recommends more intensive monitoring procedures, they will be implemented.

(C) No procedures other than those already provided in AID contracts are needed for monitoring travel by AAI staff.

(D) As stated above, prior approval is required from AID for all international travel by AAI staff that is to be reimbursed under AID contracts.

State/RP

Answer. (A) As previously indicated, the Bureau reviews and approves estimated travel budgets for each grant or cooperative agreement awarded. Organizations are not required to obtain approval for individual staff travel so long as the total travel is within the approved, overall amount.

(B) No. Current procedures are adequate.

(C) None.

(D) No. Such a requirement would be impractical in the context of grants administered by the Bureau. Adequate monitoring is accomplished through annual reporting requirements and audits.

Question 7. In 1981, AAI spent almost $160,000 on telephone calls, or approximately $13,000 per month. (A) What portion of these calls were charged to U.S. Government programs? (B) Please provide a listing of all calls outside the United States that were charged to U.S. Government programs, in full or in part. (C) How does USAID and USIA monitor these charges to assure that no nongovernmental activities are charged to U.S. Government program expenses?

USIA

Answer. (A) In fiscal year 1981, AAI charged a total of $47,746 to USIA grants for communications, postage supplies, duplication, and other related administration

costs. We are unable to determine what portion of this total is for telephone costs alone.

(B) In the normal course of administering USIA programs in the United States, AAI would have no need for overseas phone calls.

(C) All grants are audited by U.S Government auditors to ensure that activities charged are in accordance with the terms of the grant.

USAID

Answer. (A–B) AID has no record of telephone calls made by AAI. Aid grants do not require AAI to provide this information.

(C) Expenditure of grant funds for telephone calls is subject to audit review. If the audit referred to in our response to question 5(A) recommends tighter control, we will implement procedures for this purpose.

State/RP

Answer. (A) As with travel and other detailed expense items, the Bureau approves a specific amount for communications, and does not require organizations to submit listings of individual calls for approval. The organization would have to itemize the cost of individual calls, however, to document charges against each grant or cooperative agreement at the time of audit.

(B) Relevant information is not available.

(C) Not applicable.

Question 8. (A) Please provide for fiscal year 1980, 1981, and 1982 a listing of all trips by AAI's New York-based staff to Washington that were paid, in full or in part, by U.S. Government funds.

(B) Please indicate which Members of Congress, Congressional staff and executive branch officals were contacted by the AAI employees on these trips and the subjects discussed.

USIA

Answer. (A) The only information available is a recent financial report from AAI on fiscal year 1982 staff travel which states: "Travel between New York and Washington. Breakdown as follows:

George Ellyn	$81.20
Frank Ferrari	1,140.47
Donald Easum	1,821.03
Sondra Pugh	579.36
Marina Bella	166.25
R. Springwater	82.97"

(B) See response to Question 6 which also relates to AAI staff travel.

USAID

Answer. (A) AID has no record of domestic travel by AAI staff. AID grants do not require AAI to provide this information. Approval for U.S. travel is done through a budget review process. Only international travel requires advance approval. Expenditures of grant funds for domestic travel is subject to audit review. If the audit requested in our response to question 5(A) recommends tighter control, we will implement procedures for this purpose.

(B) This information is not available to AID.

State/RP

Answer. (A) Individual travel is not subject to specific approval under any of the Bureau's grants and cooperative agreements as long as the charges do not exceed the approved budget amount.

(B) Relevant information is not available.

Question 9. Did AAI contact Members of Congress or Congressional staff members on the so-called Clark Amendment? (B) Were U.S. Government funds used to pay staff time, travel, or telephone calls in connection with these activities?

USIA

Answer. (A–B) We have no information on AAI contacts with Members of Congress of Congressional staff members on the Clark amendment.

USAID

Answer. (A–B) AID has no information on this question. However, this use of U.S. Government funds would appear to be illegal and appropriate action would have to be taken. In addition, the expenditures would be disallowed.

State/RP

Answer. (A–B) State/RP has no information on this question.

Question 10. In 1978, AAI organized at U.S. Government expense a delegation to Africa by "black elected officials." (A) Who was invited on this trip, what political affiliation did they represent, what efforts were made to invite black Republican elected officials? (B) Were any of the members of the delegation associated with AAI either as board members or members of the AAI International Advisory Council? (C) If so, how many times had they visited Africa before? (D) What U.S. Government purpose was promoted by paying AAI trustees travel to the AAI conference in Sudan? (E) Please list all U.S. funded travel of AAI trustees or board members for the past 6 years.

USIA

Answer. (A) Our files from that period unfortunately provide only sketchy information but do indicate five participants in the "Black Elected Officials" project of 1978:

Julian Bond, Georgia State Senator; Thomas F. Boyland, New York State Assemblyman; Betty J. Clark, Georgia State Representative; Carl H. McCall, New York State Senator; and Matthew McNeely, Speaker *pro tem* of the Michigan House of Representatives and President of the National Caucus of Black State Legislators.

Walter C. Carrington, AAI's Executive Vice President, accompanied the group as an escort. Our records do not contain information about the participants' political affiliations. However, "Who's Who in American Politics" lists them all as Democrats. Our records also do not reveal if efforts were made to invite black elected officials who are Republican. New guidelines adopted by this Agency regarding its grant programs will ensure that all grants are either apolitical or bipartisan.

(B) The most nearly contemporary list of the Board of Trustees and International Advisory Council (as of February 1979) lists Julian Bond as a member of the Board of Trustees and Carl McCall as a member of the International Advisory Council.

(D) According to our files on the original AAI proposal for this project, the African-American Conference in the Sudan was to bring together some 100 leading Africans and Americans for frank, off-the-record discussions of major issues in African-American relations. The elected officials' participation in the conference was designed to encourage their involvement in the issues discussed.

USAID

Answer. (A–D) AID has no additional information than that provided by USIA.

(E) AID has not authorized AAI to use AID contract funds to pay for travel by AAI trustees or board members. AID has no evidence that contract funds have been used for this purpose.

State/RP

Answer. (A–D) The Department of State has no relevant information concerning the matter.

Question 11. In 1980, AAI President Donald Easum wrote to the State Department that AAI maintained close relations with the "recognized liberation movements" in southern Africa as part of its management of U.S. Government refugee programs to "verify the legitimacy (sic) of the refugee's status. (A) What is the State Department's interpretation of this statement? (B) Does it mean that members of Soviet-backed liberation groups in Africa are given preference? (C) What actions has the State Department taken to assure that membership in such organizations is not a formal or informal requirement for participation in U.S. Government activities? (D) Is AAI in close contact with the liberation movements of Angola and Mozambique?

USIA and USAID

Answer. (A–D) This question is not addressed to USIA and AID.

State/RP

Answer. (A) The State Department interpretation of this statement is that, in an effort to verify the identify and bonafides of refugee applicants, AAI consults with those persons who are likely to have knowledge of the applicant, including individuals named in the application who may be members of liberation movements.

Endorsement of a candidate by a liberation movement as a criterion for selection into the refugee scholarship program appeared in an AID–AAI contract signed June 30, 1976, but was expressly deleted in a December 29, 1976 amendment to that contract.

(B) The Department is not aware of any preference given to Soviet-backed liberation movements in the awarding of scholarships.

(C) The Department is prepared to investigate any examples of such preference or any evidence to support the charge that liberation movement endorsement is a formal or informal requirement for participation. At a seminar held in the Department March 10–11, 1983, AAI and other agencies funded directly or indirectly by the USG stated publicly, in response to questions by unaffiliated South Africans, that endorsement is not a requirement.

(D) The grant agreement with AAI calls for assistance to current South African and Namibian refugees and those Zimbabweans who were accepted into the program before their country achieved majority rule. We have no information concerning AAI's contacts with the opposition movements in Angola and Mozambique.

Question 12. (A) What legal provisions apply to use of political Government programs? (B) Do these provisions apply to refugee programs? (C) It not, should they?

USIA

Answer. (A). We are aware of no legal provisions concerning the use of political loyalty tests in connection with USIA programs.

USAID

Answer. (A) There are no political loyalty tests used for contractors or grantees. However, whenever a security investigation is required because a contractor will have access to confidential or sensitive material, a Security Investigation Data for Sensitive Position Form must be filed. That form requests information on whether the person is or has been a member of the Communist Party or any Communist or fascist organization; whether the person is a member of any organization or movement which is totalitarian, fascist, Communist or subversive and which advocates or approves acts of violence to deny others their rights under the U.S. Constitution, or which seeks to alter the form of the U.S. Government by unconstitutional means; and if so, the person is asked to list those groups, to provide details of his or her activities therein and any further explanatory statements.

(B–C) These questions are not addressed to AID.

State/RP

Answer. (A–B) Grantees of the Bureau are not required by law or by the Bureau's grant policies to undergo political loyalty tests. To the best knowledge of the Bureau grantees do not impose political loyalty requirement on participants in federally funded activities.

Question 13. The AAI refugee contract encourages study in Africa rather than in the United States. (A) What is the total cost per year of study in Africa, including administrative expenses? (B) Could studies be provided in the United States at reasonably similar costs if administrative expenses were lowered?

USIA/USAID

Answer. (A–B) This question is not relevant to USIA or AID.

State/RP

Answer. (A) Although there are more AAI sponsored students in Africa than in the United States, the Bureau's grant agreement with AAI have not expresssly or indirectly encouraged AAI to award a greater number of scholarships for study in Africa than in the United States.

The Bureau's fiscal year 1982 cooperative agreement with AAI funded the study of 124 students in Africa and 123 students in the United States. The per capita cost for direct student expenses of those studying in Africa was $4,858 and for those studying in the United States was $6,948. By prorating the administrative expense, including indirect or overhead costs, the per capita costs was $6,490 for students studying in Africa and $8.593 for students studying in the United States.

(B) Even if administrative costs were lowered, tutition and monthly expenses for each student in the United States would be higher than such costs in Africa.

Question 14. (A) Are refugees studying in Africa in countries where southern African refugees have been arrested or detained because of political disagreements with the Soviet-backed liberation movements? (B) If so please list the number of students by country. (C) What is the justification for this program? (D) Were the students'

human rights to free political expression considered in determining U.S. Government funding of this program? (E) If not, why not?

USIA and USAID

Answer. (A–E) This question is not relevant to USIA or AID.

State/RP

Answer. (A) U.S. Embassies in Monrovia, Mbabane, Maseru, Freetown, Harare, Dar es Salaam, Nairobi and Lusaka responded to a State Department cabled inquiry of March 25, 1983 concerning the first question. All of the responses were negative. Each of the embassies reported that none of the refugees studying in their country had been arrested or detained for political activity. Information concerning all other southern African refugees are set forth in the answer to question 15.

(B) Not applicable.

(C) This program supports post-secondary education and training programs in the United States and in Africa for southern Africa refugees and serves to promote our concern for refugee students from southern Africa who may eventually assume responsible positions in their respective countries.

(D) As indicated in the reply to the first part of this question, there have beeen no reports of problems with regard to human rights involving this programs' participants. We will, of course, investigate any complaints of violations or signs that free political expression is being denied.

Question 15. (A) Please provide a complete listing of all Southern African refugees who have been arrested or detained in Africa since 1970 because of disagreements with the Soviet-backed movements.

USIA and USAID

Answer. (A) This question is not relevant to USIA and AID.

State/RP

Answer. (A) UNHCR reports through U.S. Embassy Lusaka that no African refugee has arrested in Zambia solely because of a falling out with any of the liberation movements.

Based on embassy information and recent consultation with UNHCR contacts, U.S. Embassy Dar es Salaam reports that, to their knowledge, no refugees have been arrested or detained.

U.S. Embassies in Nairobi, Mbabane, Maseru, Freetown, Monrovia and Harare uniformly report no arrests or detentions of Southern African refugees, other than an arrest in Sierra Leone for robbery.

Question 16. (A) How many refugees from Angola are there in the United States and in Africa? (B) Are refugees from Angola associated with UNITA—provided scholarships under the AAI program? (C) If not, why not? (D) Is UNITA considered a recognized movement by the U.S. Government? (E) If AAI does not provide scholarships, do other U.S. Government programs provide scholarships to UNITA refugees?

USIA

Answer. (A–E) This question is not relevant to USIA.

USAID

Answer. (A) There are approximately 250,000 refugees from Angola in Africa. See the response by State/RP concerning the number of refugees from Angola in the United States.

(B–E) Beginning in 1975, an AID contract with AAI provided training programs for students from former Portuguese colonies, including Angola. Twenty-six Angolan participants began studies in the United States, none were provided training in Ghana and two were provided training in Tunisia. These students were all nominated by UNITA or FNLA. Subsequent legislation restricted AID from funding any further training programs for Angola. No Angolan students are being funded under present AID contracts with AAI.

State/RP

Answer. (A) Since the passage fo the Refugee Act of 1980, 194 Angolans have been admitted to the United States as refugees. Statistics on the number of Angolans provided political asylum in the United States are maintained by the Immigration and Naturalization Service.

The United Nations High Commissioner for Refugees reports the following estimated numbers of Angolan refugees in Africa:

Country of Asylum	*Number of Refugees*
Bostwana	350
Zaire	215,000
Zambia	37,000

(B) The AAI program of Southern African refugee scholarship assistance which is funded by the USG has included Zimbabwean, South African and Namibian refugees. No Angolans of any affiliation have been included because the project was originally authorized in May 1975 after the November 1975 independence of Angola. The project was authorized to assist Southern African refugees from countries which had not achieved independence or majority rule. More recent consideration concluded that Angolans would not be included because of language problems and because it was thought that the very small pool of candidates eligible for undergraduate scholarship assistance could be adequately accommodated by U.N. programs of assistance.

(C) The USG considers UNITA to be a significant political force in Angola that must be taken into account if that country is to enjoy peace and stability.

(D) The USG provides financial support to the United Nations Education and Training Program for Southern Africa (UNETPSA). Angolans receive scholarship assistance under UNETPSA without regard to their political affiliation. We are not aware of any reports or records which could confirm or deny that Angolans associated with UNITA have received UNETPSA scholarship assistance. UNETPSA assistance to Angolans is being phased out as those who were accepted into the program in earlier years complete their studies.

Question 17. Former AID Assistant Administrator for Africa, Goler Butcher, was listed during 1977-80 as a member of the AAI International Advisory Board. (A) Why was she not required to resign from this Board when she accepted her government position? (B) What was the total value of USAID contracts let to AAI during Mrs. Butcher's tenure in office? (C) What was the average annual percentage increase or decrease during these years?

USIA and State/RP

Answer. (A-C) This question is not relevant to USIA or State/RP.

USAID

Answer. (A) Mrs. Goler Butcher has informed AID that she did resign from the AAI International Advisory Council before being sworn in as AID's Assistant Administrator for Africa.

(B) The total amount of AID funds obligated under AAI contracts during Mrs. Goler Butcher's tenure as Assistant Administrator for Africa (July 1977 to January 1981) was $26,497,000.

(C) The average annual percentage of increase during fiscal year 1978, 1979 and 1980 over fiscal year 1977 was 18.3 percent.

Question 18. (A) During 1977-80, the following executive branch officials were members of the AAI Board of Trustees or members of AAI International Advisory Council. Given AAI's heavy dependence upon State Department and other agencies' financial support, why were they not required to resign from the Board or Council in order to avoid a conflict of interest or the appearance of a conflict of interest.

(1) John R. Lewis, Associate Director, ACTION.
(2) Harriet R. Michel, Director, Youth Employment Programs, U.S. Department of Labor.
(3) Goler Teal Butcher, Assistant Administrator for Africa, U.S. Agency for International Development.
(4) Dick Clark, Ambassador at Large, U.S. Department of State.
(5) James A. Joseph, Under Secretary of the Interior.
(6) Philip M. Kluntznick, Secretary of Commerce.
(7) Louis E. Martin, Special Assistant to the President.
(8) Carl McCall, Deputy U.S. Representative to the U.N. Department of State.
(9) Andrew Young, Ambassador to the U.N. Department of State.
(10) Millard W. Arnold, Deputy Assistant Secretary, Department of State.

USIA

Answer. (A) None of the individuals listed were officials of USIA.

USAID

Answer. (A) As stated previously, Mrs. Goler Butcher has informed AID that she resigned from AAI's International Advisory Council before being sworn in as AID's Assistant Administrator for Africa.

State/RP

Answer. (A) Either under the Ethics in Government Act or Executive Order 11222 certain employees are required to file statements of financial and other interests. (See 22 C.F.R. SS10.734-401 *et seq.*) We have found no such statement for a Carl McCall.

Statements on file from Andrew Young, Richard Clark, and Millard W. Arnold do not list for any of them membership on the AAI Board of Trustees or International Advisory Council as of the time they submitted the statement. Mr. Arnold, when appointed to the Bureau of Human Rights, did indicate that he was a consultant to the Advisory Council, which was not considered by the Office of the Legal Advisor to create an actual or apparent conflict of interest with his official duties.

As a matter of policy during the previous administration, Presidential nominees normally were asked to resign outside trusteeships and directorships. One or more of the individuals identified in this question may have held a position in the USG and on the Board of Trustees or Advisory Council during a calendar year, but not necessarily simultaneously.

The Department does not have any information with respect to individuals associated with other agencies.

Question 19. Since 1969, have any other members of the U.S. executive branch served on AAI's Board of Trustees or International Advisory Board during their tenure in office? Please provide this data by Nixon, Ford, Carter, and Reagan Administrations.

All agencies

Answer. USIA, AID and State/RP have no record of any other of their employees having served on AAI's Board of Trustees or International Advisory Council.

Question. 20. (A) How do AAI's travel expense allowances for staff compare to those provided the U.S. Government personnel? (B) Please give representative expense account data for recent domestic and international travel by AAI staff paid from U.S. Government funds. (C) How do these expenses compare to the allowance AAI provides black African participants in U.S. Government funded programs, such as the refugee program?

USIA

Answer. (A) Government Travel Regulations pertaining to American flag carriers and first-class travel apply to both AAI staff and participants in USIA sponsored programs.

(B) The Standard IV per diem rate is $94 throughout the United States, which covers the visitor's meals, lodging and incidental expenses, e.g., taxis, telephones.

(C) AAI staff are paid per diem according to the rates paid USG employees, i.e., $50 per day unless they travel to high-rate areas where the maximum allowable rate is $75. Government per diem covers food and lodging. The employee is also reimbursed for taxi fares and telephone calls.

USAID

Answer. (A) AID contracts with AAI stipulate that travel expense allowances for domestic and international travel by AAI staff may not exceed standard rates established by Federal Travel Regulations. AID's 1982 cooperative agreement with AAI for the African Graduate Fellowship program also stipulates that international travel expenses may not exceed rates established in standardized government regulations but states that domestic travel will be reimbursed in accordance with the established policies and practices of the Grantee which are uniformly applied to both federally financed and other activities of the Grantee.

(B) AID does not have records of expense accounts for travel performed by AAI staff. AAI maintains such records which are subject to audit review. Again, if the audit referred to in our response to question 5(A) recommends a change in procedures, it will be implemented.

(C) Maintenance allowances for African participants studying in the United States under AID contracts with AAI conform to the rates established for all AID-sponsored participants as listed in AID Handbook 10. These rates currently vary from $520 to $655 per month for students at academic institutions, depending on location. Participants in transit status receive an allowance of $50 per day.

STATE/RP

Answer. (A) The Bureau's grants and cooperative agreements permit travel in accordance with each organization's written policies. Should an organization not have a specific written policy, it is required to perform all travel in accordance with the Government's Standardized Travel Regulations.

(B) The Department's funding arrangements do not require detailed expense accounts, except as necessary to meet regular Government audit requirements.

[Whereupon, at 4:35 p.m., the subcommittee adjourned, subject to call of the Chair.]

INTERNATIONAL NARCOTICS CONTROL

WEDNESDAY, MARCH 9, 1983

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Charles H. Percy (chairman of the committee) presiding.

Present: Senators Percy, Pell, and Biden.

The CHAIRMAN. This morning the committee will receive testimony for the administration's fiscal year 1984 budget request for international narcotics control. Our witness is Hon. Dominick DiCarlo, Assistant Secretary for International Narcotics Control, Department of State.

Those of us in the hearing room know how serious the narcotics problem is. No region is untouched by narcotics abuse. Sadly, the United States is most seriously affected by the mushrooming effect of illicit narcotics production.

The administration's fiscal year 1984 budget request for international narcotics control is $53.3 million, an increase of slightly less than 50 percent over funds appropriated for the program in fiscal year 1983. We will be most interested to hear from Assistant Secretary DiCarlo how this proposed increase in funding will be allocated, and specific ways in which it will help to achieve real reductions in illicit production and trafficking.

Senator Biden.

Senator BIDEN. Mr. DiCarlo, I was very interested to study your fiscal year 1984 budget request for $53 million and was particularly glad to see that it includes a significant increase over last year's request. I hope this increase indicates stronger backing for your Bureau's important programs on the part of the Department of State and the entire administration.

As you know better than anyone in the Government, the most effective and promising actions available to the United States for the control of illicit drug trafficking lie overseas. To eliminate the same amount of heroin from the international market that comes with closing one refinery in Pakistan or the same amount of cocaine that occurs with eradicating one coca field in Bolivia requires literally hundreds if not thousands of successful law enforcement operations farther along the distribution chains of these drugs.

In the past, the level of funding and support made available to U.S. overseas efforts to control illicit drug traffic has not generally shown an understanding of this basic principle.

From a realization of this principle, the importance of a long term, systematic strategy for the Bureau of International Narcotics Matters' overseas programs should become obvious. It is this issue especially that I would like to hear you discuss today.

Your budget request for next year states that INM's ultimate objective is the simultaneous control of illicit drug production in all key geographic sectors. It is an essential part of this committee's examination of your 1984 budget request of $53 million that we understand how next year's program fits into a rational, measured, and feasible plan to be implemented over a finite number of years, for achieving this ultimate objective.

The United States faces new and difficult challenges to its efforts to control international illicit drug trafficking. In Pakistan, heroin refineries and traffickers are proliferating. In Southeast Asia, there is a flood of heroin and narco-dollars. In Italy and elsewhere in Western Europe, Italian organized crime and other ethnic and criminal groups engage in a variety of sophisticated criminal enterprises. In Latin America, massive cocaine and marihuana trafficking not only endures but also diversifies.

The drug control challenges that each of these countries poses is different. It would be a mistake to think that a program which might restrain heroin traffic in Pakistan will work in combating cocaine traffic in Colombia. Nevertheless, it is important that the United States have a rational and consistent strategy for dealing with the foreign dimensions of drug trafficking. A random, patchwork collection of developmental aid, eradication, and training programs is not a reassuring weapon for combat against international drug dealers.

None of this is to say that the problem of curbing international illicit drug trafficking belongs to the United States alone, or that we are responsible for solving it singlehandedly and paying the bill. Most of the drug source and transit countries have their own severe drug usage problems. Additionally, they have responsibilities under international law and treaties. They must be required to face these responsibilities and apply themselves to their fulfillment.

But the United States can play an important role in helping these countries to fight illicit drug trafficking inside their own borders. It will take, however, a consistent strategy and a high level of support. As you know, I have been a strong advocate of a bill which would create an office of an overall coordinator for the Federal drug control effort—an office with the authority to enforce this strategy. The administration has opposed this measure. Officials of this administration say that such a position is not necessary. I am very interested in exploring with you today specifically how your program fits into the overall U.S. strategy and how the State Department insures that there is a focused, orchestrated effort among all U.S. agencies overseas.

I would like to examine the following specific issues:

How the magnitude of the INM program is logically related to the magnitude and nature of international drug trafficking,

How the INM program is supported and guided by the Cabinet Council on Legal Policy, which is described as the coordinator of U.S. drug control policy,

How the importance of eradication efforts are reflected in specific eradication programs in Colombia, Bolivia, and Burma,

What the State Department proposes to do about the fact that over 50 percent of the heroin in the United States comes from Pakistan.

I have a number of specific questions in these and other areas. In raising them, perhaps we can go some way toward helping INM to have the best of all possible programs in 1984.

The CHAIRMAN. Secretary DiCarlo, we welcome you to the committee. I understand you have a short opening statement.

STATEMENT OF HON. DOMINICK L. DiCARLO, ASSISTANT SECRETARY FOR INTERNATIONAL NARCOTIC MATTERS, DEPARTMENT OF STATE, ACCOMPANIED BY CLYDE TAYLOR, DEPUTY ASSISTANT DIRECTOR, INM; AND JAMES VAN WERT, EXECUTIVE DIRECTOR AND COMPTROLLER, INM

Mr. DiCARLO. I submit my full statement for the record.

With your permission, sir, I have to my right Clyde Taylor, the Deputy Assistant Secretary of INM, and to my left Mr. James Van Wert, Executive Director and Comptroller.

The CHAIRMAN. Thank you. The full text of your statement will be incorporated into the record.

Mr. DiCARLO. Mr. Chairman, we are requesting an authorization of $53,030,000 for fiscal years 1984 and 1985. Most of the proposed increase of $13,030,000 over the 1983 request consists of $6,770,000 to reduce coca production in Bolivia and $5,445,000 to eradicate marihuana in Colombia, subject to agreements we hope to negotiate this year.

We propose to allocate $30,185,000, or 57 percent of our fiscal year 1984 budget, to Latin America which is the single source of cocaine, the primary source of imported marihuana, and the source of about 36 percent of our heroin imports. Colombia produces about 79 percent of our marihuana, exports up to 75 percent of our cocaine, and has been the major transit point for methaqualone entering the United States.

Our request of $8,940,000 is based upon Colombia embarking on a marihuana crop control program and on an expanded coca control program. In 1982 Colombian officials seized 3,409 metric tons of marihuana and 881 kilograms of cocaine. A manual eradication program supported by the Department resulted in the destruction of 9 million marihuana plants and 20 million coca plants. Colombia has been successful in curbing exports of illicit methaqualone to the United States, seizing 66 million units in 1981 and 41 million units in 1982.

We are offering to negotiate and support a Bolivian program to reduce coca production to a legitimate level. We budgeted $900,000 in fiscal year 1983 to establish the basic program and believe the level necessary for a major crop control and interdiction program in fiscal year 1984 is $7,670,000.

We entered into an agreement with Peru on a coca control project in August 1981, concurrent with a 5-year rural development program sponsored by the Agency for International Development. We are disappointed by delays in this project, and we were assured

in Janaury that Peru will proceed with the program. We have budgeted $4,020,000 for 1984, including support of Peruvian enforcement agencies which tripled laboratory captures and coca leaf seizures in 1982.

We are requesting $8,500,000 to support the Mexican program. With our support, Mexican aerial eradication substantially reduced heroin production from its high level of 6.5 tons in 1975 to 1.6 tons in 1981.

Because we do not have agreements with Iran and Afghanistan, our efforts in Southwest Asia, the opium source of more than half the heroin entering the United States, center on Pakistan as a producer, refiner, and transit point of opium and heroin.

The $3,550,000 requested for Pakistan narcotics control provides greater support for the reduction of poppy cultivation and for enforcement efforts against heroin processing and trafficking.

In 1982 the government eradicated opium poppy in the Buner area, the first such effort in a merged area and seized a heroin lab in a tribal area. In November tribal leaders directed the closing of two dozen heroin laboratories in the Khyber Agency.

Pakistan has agreed to enforce its opium poppy ban is areas where developmental assistance is provided. The INM-funded rural development project recently initiated in the Malakand Agency of the Northwest Frontier Province is designed to encourage farmers to adopt alternative crops and income sources. Reports indicate that acreage under opium poppy cultivation in the Malakand Agency has substantially declined from the 1981–82 crop year, as a result of inducements to cultivate cash crops, and government enforcement efforts, as well as depressed opium prices.

The Malakand is but one of several key growing areas. By fiscal year 1984 USAID, with INM enforcement assistance, is expected to be in the implementation stage of a similar narcotics-related development project in another Northwest Frontier poppy-growing area. Pakistan has also accepted poppy clauses which commit the government to keep subject USAID project areas free of opium cultivation.

Bureau assistance also supports Pakistani enforcement agencies. Over 1,600 kilos of heroin were seized by Pakistani authorities in 1982.

The amount of heroin entering the United States from Southeast Asia was estimated at 10 percent of the total consumed in 1981, according to the DEA [Drug Enforcement Administration]. The Golden Triangle produced 600 tons of opium in the 1981 and 1982 crop years following 2 years of drought.

Southeast Asian traffickers may attempt to recapture a greater share of the U.S. heroin market. The Department will, therefore, continue to emphasize its crop control programs with these governments. However, our regional programs must include interdiction and suppression of herion laboratories as well as crop control, because we cannot operate a crop control program in Laos, because most poppy-growing areas in Burma are outside government control, and because location of heroin laboratories in the Thai-Burma border have made such interdiction operations successful.

The Royal Thai Government has mounted a sizable military operation since January 1982 against the Shan United Army, the

principal trafficking group on the Thai-Burmese border and is continuing the pressure against it and other illicit drug trafficking groups with narcotics-targeted military companies permanently deployed in the area.

These actions have disrupted trafficking and refining activities. The government has been effective in reducing the availability of precursor chemicals used in converting opium to heroin.

We will continue to support crop control related development assistance projects when there is a concurrent Thai commitment to crop control. Our fiscal 1984 request anticipates increased opportunities to support this kind of crop control program. While the Royal Thai Government has not yet enforced its opium poppy ban in areas which have received crop substitution assistance, it has promised to produce a strategy for opium poppy control in 1983. We have budgeted $2,750,000 for Thailand.

The $5,795,000 budgeted for Burma will continue support for the Burmese Air Force's capability to airlift ground forces engaged in poppy eradication and interdiction operations, expand training programs, and improve telecommunications. The Burmese report increased crop destruction including areas in which the Burmese Communist Party is involved in trafficking.

We have budgeted a $2.5 million contribution to the U.N. fund for drug abuse control. This contribution serves as a vehicle for implementation of crop control, enforcement and demand reduction programs. We are urging greater drug control efforts by Canada, Europe, and Japan, with emphasis on opium control in both Asian sectors, and European support for an Andean coca control program, a high priority with UNFDAC's Director. In fact, our increase requested for UNFDAC is premised on the belief the fund can and should do more for coca control in South America.

In summary, we are pursuing the administration's strategy of increasing crop control and interdiction in the source countries. Our requested increase for fiscal year 1984 centers on the coca and marihuana threat from South America, while expanding our efforts to reduce the influx of heroin from Mexico, Southwest and Southeast Asia.

Thank you.

[Mr. DiCarlo's prepared statement follows:]

PREPARED STATEMENT OF HON. DOMINICK L. DICARLO

Mr. Chairman, the Bureau of International Narcotics Matters proposes an authorization of $53,030,000 for fiscal years 1984 and 1985. The Administration has asked the Congress for an appropriation in that amount for fiscal year 1984. Most of the proposed increase of $13,030,000 over the Administration's 1983 request of $40 million represents the estimated costs of a substantial expansion of crop eradication programs we hope to negotiate this year. (The 1984 request is $16,330,000 over the 1983 funding level established by Congress through continuing resolution).

GOALS AND OBJECTIVES

The Administration's goals and objectives in international narcotics control were declared in the Federal strategy that President Reagan endorsed October 5.

The Bureau's primary mission is to control the flow of illicit drugs from their sources to the United States. An estimated 90 percent of the illicit narcotics consumed in the United States are of foreign origin. The worldwide supply of marijuana, cocaine, heroin and other drugs is so great and trafficking channels to the United States so diverse that major interdictions and even crop eradications, when

achieved in only one or two producing areas, have caused only temporary declines in availability.

The Department's program strategy is therefore predicated on the ultimate objective of controlling production simul aneously in all key geographic sectors of illicit drugs exported to the United States, so that significant and lasting reductions in availability are achieved. We believe that preventing cultivation and destroying illicit narcotics at their source will ultimately prove to be the most effective means of reducing availability. In keeping with that ultimate objective, INM's first priority, in negotiating bilateral agreements and in discussions on multilateral projects with international organizations which we fund, is on crop control—government bans on cultivation and production, enforced by manual or chemical crop eradication. Our second priority is on interdiction as close to the production source as possible and supported by other enforcement activities, and then on interdiciton of drugs as they move from producing areas and through transit countries to the United States.

The major drug producing and trafficking countries are parties to conventions which obligate them to control the production and distribution of illicit drugs. Our international strategy is based on encouraging and, where necessary, assisting these countries in meeting their responsibilities for reducing the cultivation, production, and trafficking in illicit drugs within their borders.

HIGHLIGHTS OF PROPOSED BUDGET

Our requested authorization supports a proposed budget for fiscal year 1984 of $53,030,000, an increase of $13,030,000 over the Administration's fiscal year 1983 Congressional request (and $16,330,000 over the fiscal year 1983 budget established by continuing resolution).

The increase consists primarily of proposed additional expenditures for crop eradication programs in South America. We are hopeful that we can successfully negotiate agreements in fiscal year 1983 to control coca production in Bolivia and marijuana and coca production in Colombia.

Proposed expenditures for Latin America are $30,185,000, an increase of $13,435,000 (over fiscal year 1983 planned expenditures). The budget for East Asia is $8,865,000, a proposed increase of $1,265,000. The budget for Southwest Asia is $4,650,000, a proposed increase of $750,000.

These increases would raise expenditures for country programs by $15,450,000 (from $28,250,000 in 1983 to $43,700,000 in fiscal year 1984). The budget also indicates $2,575,000 for international organizations; $400,000 for demand reduction; $3,500,000 for training; and $2,855,000 for program development and support.

Our responsibilities and programs include: policy development; diplomatic initiatives; bilateral and multilateral assistance for crop control, interdiction and related enforcement activities in producer and transit nations; development assistance; technical assistance for demand reduction; and, training for foreign personnel in narcotics enforcement and related procedures.

LATIN AMERICAN REGIONAL STRATEGY

Latin American summary

Latin America is the source of cocaine, the major source of marijuana and the transshipment center for most of the illicit methaqualone entering the United States. Our fiscal year 1984 request is based on our engaging in crop control programs in Colombia, the key marijuana producing country in the area, and in Bolivia and Peru, the two principal producers of illicit coca, while continuing our support of the successful Mexican eradication programs and selected interdiction projects. Our budget request also allows for support of an agreement to assist the Colombians in an expanded coca control program.

Country programs

Particular attention is being focused on Colombia, which produces an estimated 86 percent of marijuana imports (79 percent of the U.S. supply), exports up to 75 percent of the cocaine consumeed in the United States, and has been the major transit point for illicit methaqualone entering the United States. Our concerns about this production and trafficking in marijuana and cocaine were expressed by President Reagan during his Colombian trip in December. Our budget is predicated on Colombia undertaking a program for marijuana eradication while continuing and hopefully expanding its coca control program.

In 1981 the Colombian interdiction program supported by the Bureau seized 3,310 metric tons of marijuana, a 345 percent increase over 1980, and 66 million units of

illicit methaqualone, a 380 percent increase. In 1982, Colombian officials seized another 3,409 metric tons of marijuana, 41 million units of methaqualone, and 881 kilograms of cocaine. The manual destruction program INM supports resulted in the destruction of some 9 million marijuana plants and 29 million coca plants during 1982. A new bilateral extradition treaty with Colombia is now in force and a legal mutual assistance treaty is pending ratification by Colombia.

We are attempting to negotiate a plan for assisting Bolivia in a crop control program which could reduce Bolivia's enormous coca cultivation to levels required for legitimate purposes. Our fiscal year 1984 request is predicated on concluding and implementing such an agreement. Our funding, which was limited to $240,000 in administrative support costs during fiscal year 1982, was increased to $900,000 in fiscal year 1983 to start this program. We project that $7,670,000 is needed in fiscal year 1984 for a major crop control and interdiction program.

We entered into an agreement with Peru on a coca control program in August, 1981, concurrent with USAID's 5-year rural development program. We have expressed concern about delays in this project, and were reassured by the Peruvian Government in January that the crop control program required by our agreement would be implemented in the Upper Huallaga Valley this year. The Bureau continues to support Peruvian narcotics enforcement agencies; reports for 1982 indicate that seizures of cocaine, cocaine past and base were down from 1981 levels, but that the amount of dried coca leaf rose sharply from 26,781 kilograms to 85,454 kilograms, and that 178 jungle-based coca labs were captured compared to 53 in 1981. These reports indicate that the amount of leaf captured was equivalent to 850 kilograms of cocaine paste, a partial offset against the decline of 1681 kilograms in cocaine paste seizures. We have budgeted $4,020,000 for Peru in fiscal year 1984.

We are requesting $8,500,000 to support Mexican narcotic control programs. Mexico once supplied the bulk of heroin imported into this country, but a U.S.-supported Mexican aerial eradication program substantially reduced heroin production from the high level of 6.5 tons in 1975 to an estimated 1.6 tons in 1981. From December 1981 to December 1982, the Mexican Government reported spraying 15,956 opium fields, totalling 943 hectares and 11.046 marijuana fields, totalling 788 hectares.

We have budgeted $400,000 for support of Ecuador's interdiction program, and $650,000 for projects in the Latin American region.

The Department recently facilitated cooperation between the Governments of Mexico and Belize which resulted in aerial eradication of marijuana in Belize. We also helped establish a new working relationship between the Government of Mexico and the United States Coast Guard.

The Secretary of State is a member of the South Florida Task Force and, while our primary assignment in Task Force directives is to pursue crop control agreements with Colombia, Bolivia, Peru and Jamaica, the Department has undertaken a variety of programs in the Caribbean region. Our expenditures of approximately $5 million in the 5 years ending in fiscal year 1982 included funding for a project by Colombian Customs to interdict trafficking in the Caribbean, as well as a special project by the Colombian Navy for narcotics patrols in the Caribbean and Pacific. We have provided small patrol vessels to the Goverment of the Bahamas to increase the mobility of its narcotics forces; we have also provided telex equipment and language instruction to facilitate cooperation by Bahamian police. We assisted the Haitian Navy in rejuvenating its fleet for narcotics patrols in the Windward Passage, a key route between Colombia and Florida; the Haitian Navy, which provides information on suspect ships to our Coast Guard, seized a boat carrying 9 tons of marijuana in January. Our efforts in this region have also included cooperation with the Coast Guard on the establishment of a telex link between selected Caribbean and Central American countries and the Coast Guard for transmitting vessel tracking intelligence. We have provided a launch to the Turks and Caicos. In Central America, we have provided some telecommunications equipment to Costa Rica; communications and laboratory equipment to the Panamanian National Guard; radios and vehicles to the Honduran police; and, we will provide vehicles and other commodities to Belize to support future eradication programs.

We cooperate with governments on the development of local police and customs capabilities to enforce domestic narcotics laws by funding training of foreign enforcement personnel by DEA and Customs. In just the past 2 years, 225 persons from Caribbean countries, as well as 233 persons from Central America and Mexico, received INM-funded training—20 percent of all foreign nationals receiving such training in these 2 fiscal years. In the past 5 years, a total of 807 officials from this region have received INM-funded training, including 475 from the Caribbean and 332 from Central America—among them 53 officials from the Bahamas. Other units

in State and Justice are actively exploring with various Caribbean countries mutual legal assistance and extradition treaties to strengthen bilateral cooperation on criminal law enforcement matters, including the sharing of financial information that is critically needed to deprive traffickers of their profits.

SOUTHWEST ASIAN NARCOTICS CONTROL STRATEGY

Southwest Asian summary

Afghanistan, Iran and Pakistan are the principal sources of the opium from which over half of the heroin entering the United States is processed. For reasons not related to narcotics, we have not executed agreements with Iran or Afghanistan. Our regional strategy therefore centers on Pakistan as an opium producer, a heroin refiner, and a transshipment point for other SWA opium, and, on Turkey as a principal conduit of opiates moving from Southwest Asia to Western Europe and the United States.

Country programs

In 1979, the Government of Pakistan banned the opium poppy. This ban is enforced in the "settled" areas, a term which describes those areas effectively under central government control. Government authority is being extended in the "merged" areas of the Northwest Frontier Province (NWFP); the central government's authority is only partially operative in such areas at present. The merge areas account for about 80 percent of Pakistani opium production. However, in large "tribal" area of the NWFP, where about 20 percent of the opium is cultivated, government authority has been exercised through agreements which allow tribal leaders much local autonomy. The presence of over 2 million Afghan refugees adds to enforcement difficulties in Pakistan.

Several actions by the Pakistani Government in 1982 are important. In 1982, the Pakistani Government eradicated opium poppy in the Buner area of the NWFP where a United Nations development project is operating—the first eradication effort in a merged area. In early 1982 the GOP seized a heroin laboratory in the tribal territory of the NWFP—for the first time since 1978—overcoming armed tribal resistance. In December, tribal leaders directed the closing of another two dozen heroin laboratories in the Khyber agency after meetings with government officials.

During separate visits to the United States, President Zia and NWFP Governor Haq restated Pakistan's commitment to its opium poppy ban. Pakistan has agreed to enforce its ban on opium cultivation in areas where it receives development assistance. INM's rural development project in the Malakand Agency is designed to encourage farmers to grow other crops and seek other income sources, and to provide infrastructure support.

The $3.55 million requested for Pakistan in fiscal year 1984 provides greater support for the reduction of poppy cultivation and for enforcement against herion processing and trafficking. The rural development project in the Malakand Agency has been funded for its third and final year in fiscal year 1984. It is expected that by fiscal year 1984 USAID will be in the implementation stage of a similar narcotics-related development project in another NWFP poppy growing area which will enhance efforts to enforce the poppy ban; the poppy control objectives of the AID project will be supported with INM enforcement assistance. Pakistan has also accepted restrictive "poppy clauses" which commit the government to keep USAID general economic assistance project areas free of opium poppy. These clauses are assurances that opium cultivation and/or heroin processing will not be enhanced by U.S. economic assistance.

The Bureau continues commodity and training assistance to Pakistani narcotics enforcement agencies to upgrade their capabilities. A seizure of 396 kilos of heroin near Peshawar in December was the world's largest seizure of heroin and part of over 1,500 kilos seized by Pakistani authorities in 1982.

Turkey has demonstrated the will and the capability for effective opium poppy crop control and narcotics interdiction. Since the early 1970's, Turkey has prevented illicit diversions from its poppy cultivation. Our request for $1 million provides funds for equipment and training for the Turkish National Police (TNP) and the Jandarma to upgrade transportation, communications and narcotics laboratory competence to combat drug trafficking—equipment and training that cannot be fully supplied from Turkey's own resources. Both the TNP, which is responsible for drug law enforcement in the urban areas, and the Jandarma, which has anti-smuggling responsibility throughout the country, have the skills and motivation to utilize effectively the assistance provided.

SOUTHEAST ASIAN REGIONAL STRATEGY

Southeast Asia summary

Southeast Asian heroin accounted for about 10 percent of the heroin entering the United States in 1981, according to the Drug Enforcement Administration. The Golden Triangle produced 600 tons of opium in the 1981 and 1982 crop years, after 2 years of drought. There is potential for Southeast Asian traffickers to attempt to recapture a greater share of the U.S. heroin market. The Department will, therefore, continue to emphasize its crop control objective in its discussions with these governments. However, for numerous reasons, our regional program must include interdiction and suppression of heroin laboratories as well as crop control. For example, we cannot operate a crop control program in Laos, most poppy growing areas of Burma are outside of government control, and location of heroin labs near the Thai-Burma border has made such interdiction operations successful. We will continue enforcement assistance to help consolidate recent government, military and police actions which have driven the major Golden Triangle heroin "warlord" from areas in Thailand along the Burma border and disrupted several of the heroin trafficking organizations. A sustained effort against the drug-supported warlords coupled with strict controls by governments in the area on chemicals used in heroin refining would advance the goal of disrupting and ultimately suppressing heroin production.

Country programs

The Royal Thai Government has mounted sizable military operations since January 1982 against the Shan United Army, the principal trafficking group on the Thai-Burmese border and are continuing the pressure against it and other illicit drug trafficking groups with narcotics-targeted military companies permanently deployed in the area. These actions have disrupted trafficking and refining activities.

The Government has also been effective in reducing the availability of precursor chemicals used in converting opium to heroin, which contributed to reduced production of heroin and morphine base; however, these chemicals are increasingly available from other sources in the region. We will use diplomatic initiatives to encourage tighter controls on precursor chemicals throughout the region. We will continue to support crop control-related development assistance projects in Thailand when there is a concurrent Thai commitment to crop control. The $680,000 in our budget will be available for ongoing and anticipated projects of this nature as well as to support the Thai crop assessment program. While the RTG has not enforced its opium poppy ban in areas which have received crop substitution assistance, the Thai Government has promised to produce an opium poppy control strategy in early 1983. We have budgeted $2,720,000 for support of our projects in Thailand.

We will continue support for the Burmese Air Force's capability to airlift ground forces engaged in poppy eradication and interdiction operations and thereby contribute to Burma's goal of ultimate self-sufficiency in aviation maintenance. Our budget increase also provides for expanded training and for improved telecommunications. The Burmese Government reports increased crop destruction including areas where the Burmese Communist Party is involved in trafficking. We have budgeted $5,795,000 for support of Burmese projects.

DONOR COUNTRY INITIATIVE

The United States narcotics control strategy includes diplomatic initiatives to achieve greater participation by and program coordination with other governments. In recent months, INM, with explicit support from Secretary Schultz, has been conducting discussions with Governments in Canada, Europe and Japan, to seek greater international narcotic control efforts from them, both bilaterally and through international organizations. We particularly want to coordinate United States narcotics control initiatives and our program assistance to producing and transit countries with those of European governments. For example, through the United Nations or bilaterally, the Federal Republic of Germany is participating in control programs in Pakistan and Turkey, the Norwegian Government is active in crop control in Burma and Australia is active in Thailand. Italy and Sweden have indicated interest in supporting development programs to achieve coca control.

United States drug enforcement agencies and our diplomatic missions maintain productive working relations with their European counterparts—which are improving as Europeans recognize the long-term implications of drug abuse on their societies. European governments are assigning greater numbers of narcotics enforcement advisors to their diplomatic missions in producing countries. Diplomatic and

program assistance coordination with the Europeans continues to be conducted through international organizations, particularly organs of the United Nations. We are encouraged by increased attention being given the narcotics issue by some foreign ministries and political leaders.

INTERNATIONAL ORGANIZATIONS

Since its founding in 1971 with United States sponsorship, the United Nations Fund for Drug Abuse Control has been a vehicle for raising international consciousness about illicit drug issues and for implementation of crop control, enforcement and demand reduction programs. The Fund also brings the prestige of the United Nations to the issue of narcotics control. While UNFDAC projects complement U.S. programs in some countries, it has carried out projects in other areas when the United States could not because of political or other considerations. We have budgeted $2.5 million as our contribution to UNFDAC in fiscal year 1984. We are also budgeting $75,000 for support of the Colombo Plan.

SUMMARY

In sum, we are pursuing the Administration strategy of increasing crop control and interdiction in the source countries. The Bureau's requested authorization for fiscal years 1984 and 1985 anticipates a continuation and expansion of crop control and interdiction efforts in major producing and transit countries. Our requested increase centers on the coca and marijuana threat from South America, while expanding our efforts to reduce the influx of heroin from Southwest and Southeast Asia.

The CHAIRMAN. Thank you very much. I would like to ask you generally about your 1984 budget for crop control, which calls for an increase of slightly less than 50 percent of the amount appropriated for this program in 1983. What is the major justification for such an increase in a budget year when everything else is being slashed and cut to the bone?

Let me just say ahead of time, I am hosting a luncheon for the Foreign Minister of Italy in a few minutes. If you will just give a very brief statement we will keep the record open for 1 week for you to respond in greater detail to any of these questions.

Mr. DICARLO. The short answer to that is we believe we have an opportunity to do something about this. I was asked on a prior occasion why we did not request more money and answered, because we felt at that time we did not have these opportunities. There have been changes in the law which will now enable us to assist eradication efforts, particularly in Colombia, opportunities that did not exist before.

The CHAIRMAN. I will give you the full question on Bolivia and ask that it be incorporated in the record for your answer in full. I would like a brief comment on the major increases, at this particular time, for the Bolivian Government, and what leads you to believe that that particular program will be cost-effective?

Mr. DICARLO. Well, sir, there is a new government in Bolivia with whom we are negotiating. We have made our assistance contingent upon their doing something for coca eradication and we are now negotiating with them on this subject.

The CHAIRMAN. You have about half of the Bolivian budget for crop eradication. What is the status of our negotiations with the Bolivian Government to initiate this program?

Mr. DICARLO. Our Ambassador is discussing this program with Bolivia and at the present time, our Embassy in La Paz is currently negotiating and drafting an agreement for the national police for the reduction of coca and its control in Chappare. A commission on narcotics, which will report to the President, is being estab-

lished. That is the condition precedent to doing anything in Bolivia now.

The CHAIRMAN. With respect to Colombia and our negotiations with the government for the marihuana eradication program, how effective do you think this program will be if initiated?

Mr. DICARLO. Sir, we hope we can reach an agreement with the Colombian Government. I cannot tell you at this time that there will be an agreement, but our people in Colombia constantly discuss this issue with the Colombians. There are ongoing discussions at all times. The Colombians have given us extensive cooperation to the best of their ability in the past, and we hope that this will continue. But I cannot tell you at this time that the Colombian Government will enter this program at this time.

The CHAIRMAN. Has the Government of Pakistan made any progress in reducing opium production and refining in the Northwest Frontier Province, and what are the impediments facing that government now?

Mr. DICARLO. Again, to answer briefly, sir—and I will give a full explanation for the record—the production of the opium poppy has gone down from 800 tons in 1979 to a point now where it is about 50 to 80 tons produced in Pakistan last year. The government has banned the production of opium and has enforced that ban in the settled areas under central government control. They are now negotiating with us for assistance, as I have mentioned before.

We are now supporting programs in the merged areas of Pakistan; areas where there is some government presence. The Pakistani Government said it would enforce the ban in those areas when certain assistance came, and we are now providing that assistance. The U.N. has provided assistance and there is progress in its area—the Buner—and we are providing development assistance in the Malakand Agency, and AID is planning a development project in a third area.

As I mentioned in my statement very briefly, for the Pakistanis they forcibly closed laboratories in the tribal areas for the first time—areas which on many occasions they said they had little actual control and possibly no juridical control. They are now acting in the Khyber Agency, where 22 labs were closed in November.

We are continuing to discuss with the Pakistanis the situation in that country. What makes us most hopeful in Pakistan is we believe the Pakistanis now view this as their own problem. There has been a tremendous increase in heroin addiction in Pakistan. They made it a part of their religious law in 1979 where they placed narcotics on the same basis as alcohol, and we see them going further in this.

The CHAIRMAN. There are well over 2 million Afghan refugees in Pakistan. Has this contributed to the government's difficulty in combating opium reduction and trafficking, and if so, in what ways?

Mr. DICARLO. The presence of the Afghan refugees generally unsettles the area and anything that unsettles a tribal area makes the government reluctant to proceed with forceful action. They have proceeded in certain areas, but as I say, this is an impedi-

ment. The situation would be much better if the refugee problem did not exist there. They probably could take more forceful action.

The CHAIRMAN. Without objection, I will incorporate the rest of my questions in the record, and I yield at this time to Senator Biden.

Senator BIDEN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Biden, I must leave for a luncheon with the Italian Foreign Minister. If you would close the meeting, I would appreciate it.

Senator BIDEN. Surely. Mr. DiCarlo, it is good to see you again. You and I have had the occasion to speak a number of times. I would like to try to examine some of the following specific issues, if we could. First is how the magnitude of the INM program is logically related to the magnitude and nature of international drug trafficking.

The second thing I want to explore is how the INM program is supported or guided by the Cabinet Council on Legal Policy, which is described as the coordinator of U.S. drug control policy. The third area is how the importance of eradication efforts are reflected in specific eradication programs in Colombia, Bolivia, Peru, and Burma.

And lastly, what the State Department proposes to do about the fact that currently over 50 percent of the heroin in the United States appears to come from Pakistan.

Within the context of these general areas, I have some specific questions.

Could you give the committee some examples of INM's advocacy role for international drug control in U.S. foreign policy formation? For example, what was INM's role in the preparation, if any, for President Reagan's trip to Latin America, or President Zia's of Pakistan visit to Washington? Were you a part of that?

Mr. DICARLO. Yes, sir.

Senator BIDEN. Could you describe that for us?

Mr. DICARLO. Yes, sir. The first one was the President's trip to Latin America?

Senator BIDEN. Correct.

Mr. DICARLO. The procedure is that one of the issues on the proposed Presidential agenda would be the question of narcotics. The question then would be referred to the State Department and it would be referred to our Bureau. The question of narcotics in Colombia, for example, was on that agenda, and we wrote a paper for the President on that issue.

Senator BIDEN. Do you have any notion of whether or not that got to the President?

Mr. DICARLO. Yes; we know it got to the President.

Senator BIDEN. I am not trying to be smart. How do you know it got to the President? Did the Secretary of State say that has been brought up?

Mr. DICARLO. The Secretary of State sends a complete package to the President of all the issues involved and it goes to the President.

Senator BIDEN. My experience in the last administration——

Mr. DICARLO. We also know that issue was discussed by the two Presidents.

Senator BIDEN. It was? All right. How about in Zia's trip?

Mr. DiCarlo. We were very extensively involved in Zia's trip. I was personally involved in the Zia trip. Again, the same effort took place—the President was briefed on the issue. It is my Bureau that prepares the briefing material together with the regional bureaus. It went to the President. I know it was a topic of discussion between the two presidents. The Secretary of State had a briefing on the subject. The Secretary of State had meetings with President Zia and the issue was discussed between them. I was not present at that meeting. But the Secretary informed me that it was thoroughly discussed with President Zia.

I can assure you, Senator, the matter is on the foreign policy agenda. It does come to us, it does go to the President and the principals in the State Department.

Senator Biden. What role is INM permitted to play in shaping the Agency for International Development's policies for economic development in illicit drug producing countries? For example, although the committee is familiar with INM's Malakand Agency project in Pakistan, did INM express its view to AID regarding AID's administration of its program in Pakistan?

Mr. DiCarlo. The Malakand project is not an AID project.

Senator Biden. I understand that.

Mr. DiCarlo. The next project expecting money from AID—AID cooperating with INM—is a project in the Gadoon area of the Northwest Frontier Province which is the area where more opium is now produced than in any other location in Pakistan. There is a team there at the present time, a joint team, an AID team together with INM. INM will be expected in that situation to provide the assistance for enforcement. AID would provide the men and materials and wherewithal in order to accomplish the rural development projects.

Senator Biden. So you are saying AID's program—not INM's program; AID's programs—are dovetailed with and coordinated with INM?

Mr. DiCarlo. AID's program is.

Senator Biden. Does AID coordinate their efforts going on in a region with any INM efforts that are going on in the same region? Do you each know what the other is doing?

Mr. Taylor. Senator, if I could expand on this. First of all, AID has a narcotics coordinator that reports directly to Mr. McPherson. In the regional bureaus they also have coordinators. They attend our meetings, we attend their program review meetings. For example, in Peru they recently had a review and we sat in on that because we have a joint project there.

In the case of Malakand, when we did our first exploratory project identification trip there, we actually had AID participation in the mission. They participated and we reviewed the final report before we decided on a project. We got into that because AID was under the Symington amendment at that point and could not enter into new obligations.

Now, since they can, they are fulfilling their mandate under the Gilman amendment where they should give priority to narcotics projects. Their intent—if I may speak for them—is to work on an incremental basis, because to obviously do everything at one time

would be against some of the perceived political sensitivities in Pakistan. But they want to see how the Malakand project goes.

They hope to get this project——

Senator BIDEN. They want to see how it goes?

Mr. TAYLOR. Yes.

Senator BIDEN. So they know the steps you are taking in the Malakand program. They are familiar with that, they are involved and there is no program they have that in any way is redundant and/or runs up against yours?

Mr. TAYLOR. We have been involved in—we have looked at at least six or seven of their projects that contain the opium poppy clauses. They add up to a value of about $400 million. In our Embassy in Islamabad, there is a narcotic coordinating committee run by the Ambassador and his deputy. USIS is in that group. It looks at other aspects of the narcotics issue. So there are no surprises to our Bureau or to AID on what the other is doing in the area.

Senator BIDEN. Do you suggest to AID that they should or should not do something? Is there a real exchange? Are they able to say to you well, I think that portion of your program is not going to work very well; why don't we pick up this portion and you do that?

Mr. TAYLOR. We have this kind of exchange constantly. They had a three-person mission go out to Pakistan to identify the area in which they would be doing a project. We had an independent meeting with that mission and we had a joint meeting with AID on that mission's report. We had differences of opinion as to which area would be the best to go into, how to stage what aspect of the project, and we had a very good give and take on it.

Senator BIDEN. The responsibility, as I understand it, of the international narcotics control has been delegated to INM, is that correct? Are you responsible for that?

Mr. DICARLO. Yes.

Senator BIDEN. Does this delegation mean that it is INM's responsibility to assure that there is full coordination overseas of all U.S. agencies and steps taken to achieve specific narcotics control objectives? Do you run the show?

Mr. DICARLO. Excuse me?

Senator BIDEN. Do you run the show?

Mr. DICARLO. Overseas in each individual country, the Ambassador runs the program once it gets there. The Ambassador in each country is key.

Mr. TAYLOR. Excuse me, on the issue of coordination, yes, we do.

Mr. DICARLO. We coordinate the individual programs in each country, but the Ambassador would coordinate as well.

Senator BIDEN. If the several programs that may be going on simultaneously in one country are not working, whom do I get angry with? Whom do I call up and say it is not working?

Mr. DICARLO. You can call me.

Senator BIDEN. Are you responsible?

Mr. DICARLO. Yes; for the program itself I would be responsible. If we accepted a program and negotiated a program and it is not working and while not working we continue it, certainly.

Senator BIDEN. You say if you accept the program. Can there be a narcotics control program going on that you do not accept in a country?

Mr. DiCarlo. Under the Foreign Assistance Act, no. We would have to approve the program.

Senator Biden. How about a narcotic-related program under AID?

Mr. Taylor. There are cross-clauses on the AID projects that relate to the narcotics control project.

Senator Biden. Right.

Mr. Taylor. For example, in Peru on the upper Huallaga project there are several clauses in there that require that the AID project proceed in relationship to the control scenario or schedule under our project. So they are interlinked.

Senator Biden. I know that, but if a program is not working?

Mr. Taylor. If it is not working, they know that we can call a halt to both projects because we have to certify that progress is being made on the narcotics side.

Senator Biden. Does INM have responsibility for coordinating DEA activities overseas?

Mr. DiCarlo. If it comes within the Foreign Assistance Act. You are asking whether we coordinate their activities in the sense that we direct the investigations? No; we do not direct the investigations of DEA.

Senator Biden. How about other activities of DEA overseas?

Mr. Taylor. In terms of policies, yes, very much so. If DEA wants to, for example, even mount a new type of operation, they know that they need the permission of the Ambassador to the respective country. The Ambassador, if the approach has been made directly to him and not first to the Department of State, in many cases will refer the issue back to the Department of State. And if the operation or the new thrust is an acceptable one, we will join in as an advocate for DEA within the Department of State on that issue.

Senator Biden. What happens if you say no, it is a bad idea?

Mr. Taylor. If we say no within the Department of State and it were cleared in the Department of State, that would be an instruction to the Ambassador. The Ambassador would have a chance to come in with his own ideas. If INM were overruled, the Ambassador would prevail in the country and there would be no operation.

Senator Biden. So in that sense, you do coordinate DEA activities overseas.

Mr. DiCarlo. In that sense, yes. But if they were conducting an investigation that had implications here, if they were going through normal procedures of investigation we would not coordinate those activities, nor do I think we should. We do not have the expertise to be supervising investigators.

Senator Biden. My problem is that of determining whether or not INM has the overall drug control policy authority for any country in question; that includes all aspects of our efforts. Are you the policy clearinghouse? Are you the one that says this is the way we are going to work in this country?

Mr. DiCarlo. On narcotics.

Senator Biden. On narcotics.

Mr. DiCarlo. A question of policy on which we must make a decision. Are you also referring within the State Department itself?

Senator Biden. Yes.

Mr. DiCarlo. I would have to answer we are not czars in the sense that we have absolute control, and narcotics is the issue that governs everything else. As an example, if we have a problem in Pakistan involving narcotics, we have to take into consideration within the State Department the other implications of those policies. I act as an advocate for the narcotics program within the State Department.

I do not, nor should I, I believe, have the right to overrule all other considerations. So if the question is whether or not we establish policy and dictate——

Senator Biden. As it relates to narcotics.

Mr. DiCarlo. As it relates to narcotics in the sense that it also affects other policy considerations, I do not overrule the Secretary of State or the regional bureaus. That is handled within the State Department.

If the question is do I have absolute power on the issue of narcotics to make narcotics the No. 1 issue and overrule other policy considerations, the answer is no.

Senator Biden. No. My question is if there is a narcotics policy, whether it is a second priority, a fifth priority, wherever it appears in the scale, do you have control over that policy?

Mr. DiCarlo. Yes. Where there is not a conflict with other considerations.

Senator Biden. Give me an example of a conflict with other considerations.

Mr. DiCarlo. All right. Let's say I determine that I would like to see a certain policy carried out in, say, country X—of going into country X and telling country X that if they do not eradicate their poppy crop within 1 year, we will recommend to the President that all assistance be cut off, all trade be cut off. The other consideration in that particular situation may very well be the military situation or the question of the stability of the government. Other considerations of refugees that you mentioned may be a part of other interests that the United States has. These are the kinds of things I am talking about.

We have other considerations coming into play where we would not govern in a narcotics situation.

Senator Biden. Are you satisfied that you have enough access to and any control over the dissemination of information relating to narcotics in a country?

Mr. Taylor. If I could answer that, I would say that you are obviously familiar with the efforts going on to try to improve that dissemination. We have been very pleased that the National Intelligence Office [NIO] has been established for narcotics and the usual mechanism that flows from that is occurring. We are seeing already a better use of the community's assets on intelligence, and we hope that as part of that, we will see a more perfect sharing of information.

We do not have perfect sharing. I do not think we ever will, but we are hoping that because of this NIO mechanism and what is flowing from that, we will see an improvement.

Within country, the way the system ought to operate is in a country where there is a significant problem, the deputy chief of the mission is to be the narcotics coordinator. He should see that

all elements of the Embassy are meeting together and sharing information and coordinating their activities.

The success of this varies from country to country. In some the DCM and Ambassador are extremely active in this, and in others not quite so much. We do not have a perfect situation, but I think in general we have a good sharing.

Senator BIDEN. Can you all put pressure on an Ambassador who does not have that interest? There are countries, as you point out, where the degree of interest and the tendency to coordination is significantly less than in other countries.

The CHAIRMAN. Thank you all very much.

Senator BIDEN. I will not keep them very much longer.

Mr. DICARLO. We visit these countries, we know we have an Ambassador or a DCM who is not doing the job, where the meetings are not taking place. We talk to them about it, we ask that it be done.

Yes; if that is defined as pressure; yes. But when we are not getting information we want, we press them for it.

Senator BIDEN. The Cabinet Council for Legal Policy is described as the overall coordinator of the U.S. drug control effort. Who represents INM's concerns in the Cabinet Council?

Mr. DICARLO. The Secretary of State.

Senator BIDEN. Does the Secretary of State participate in any way in the Cabinet Council?

Mr. DICARLO. He has been to at least one meeting that I know of. He is out of the country often, and in his absence Mr. Dam will attend, and I have attended one of the meetings with Mr. Dam.

Senator BIDEN. My impression is that the Secretary—it is not a reflection on his lack of interest, but upon his far flung responsibilities—does not know a whole lot about this issue.

Mr. DICARLO. We also have a working group on drug supply headed by Mr. Guiliani of the Department of Justice, and I attend those meetings.

Senator BIDEN. When was the last time the Council met to consider drug control? Do you know?

Mr. DICARLO. I believe it was December when I attended with Mr. Dam. There may have been another meeting, but I have been out of the country.

Senator BIDEN. There are no other meetings you are aware of, and you are the man in charge. I mean, obviously, the Secretary of State would ask you before he went to a meeting what you thought of it.

Mr. DICARLO. If an item was on the agenda, I would be asked about that item.

Senator BIDEN. No matter what item was on the agenda, wouldn't——

Mr. DICARLO. That would be one of the items on the agenda. Drug policy would be discussed and it would be an item on the agenda.

Senator BIDEN. What other things are discussed, other than drugs?

Mr. DICARLO. We are talking about the Cabinet Council on Legal Affairs. It would cover many other items than drugs. It would have as an issue immigration, for example.

Senator BIDEN. What specific recommendations, policies or directions has INM received from the Cabinet Council on Legal Policy for the conduct of IMN programs? Have they gotten back to you with any specific comments on any policies, any specific directions? Have they told you we like this, we do not like this, change this, do that?

Mr. DICARLO. Well, they have come back to us and members of the Attorney General's office have testified before various committees. He has testified on the fact that the element we placed first and foremost in our policy is the area of crop control. He has spoken out publicly——

Senator BIDEN. I know he has, but again, I am trying to find out who coordinates whom. Could you supply the committee with any memorandum or directive you have ever received from the Cabinet Council of Legal Policy regarding international and national drug policy?

Mr. DICARLO. We have the papers we worked on as a working group. That was submitted to the Cabinet Council. I would be very happy to provide those to you.

Senator BIDEN. And could you submit for the record the number of meetings and the dates they were held of the Cabinet Council relating to drugs in the last 12 months?

Mr. DICARLO. I will attempt to get that information to you.

[The information referred to follows:]

CABINET COUNCIL ON LEGAL POLICY

Our records, which were checked against records maintained by the Department of Justice, show that the Cabinet Council on Legal Policy met March 24, August 5, and September 30, 1982.

The Working Group on Drug Supply Reduction, a sub-Cabinet group which dealt with inter-agency narcotics issues, met on April 29, June 15, and August 27, 1982. Five task forces were formed.

The Task Force on International Initiatives, a planning and strategy development group formed under the aegis of the Working Group, and chaired by INM, met on June 4, June 10, and September 9. An inter-agency working paper was prepared by this Group.

These task force working papers and the process of their preparation permitted extensive and beneficial review of issues at the task force and Working Group level. In November, the individual drafts from each task force were reviewed by Working Group members and comments were submitted to Justice.

The Working Group on Supply Reduction did not submit a final report to the Council. Our understanding with Justice—and the sense of other Working Group members—is that these documents were draft working papers, and, as such, did not represent the policy or recommendations of any agency, the Working Group, or the Council. As drafts, they are not public documents.

Senator BIDEN. INM's fiscal year 1984 budget submission states that the program's ultimate objective is to control simultaneously production in all key geographic areas of illicit drugs. Does INM believe that this ultimate objective might be realistically obtained?

Mr. DICARLO. It can only be obtained if we get the cooperation of other governments also the victim of narcotics. We are working on that aspect of it. We will only achieve it when these countries together go to these producing countries and simultaneously, first of all, exert their influence on these countries and provide some assistance where needed. And I think then we will achieve this. But we will not achieve it solely on the basis of our country alone doing it.

Senator BIDEN. Does INM have a long-term strategy for meeting this objective? Do you have the strategy objectives written down anywhere?

Mr. DICARLO. We have a strategy paper we would be very happy to provide to you. Of course, our strategy is a problem. Unlike domestic agencies, we rely on foreign governments. It is their program in their country and we can attempt to induce them to do something, to apply pressure for them to do something to generate support for those programs.

But in the end, one of the problems we have in the international area and one reason we say it's a long-term objective in many cases and not a short-term one is that it is not a job we can do as a government on our own.

Senator BIDEN. I could not agree with you more. What role did INM play in drafting the October 1982 "Federal Strategy for the Prevention of Drug Abuse and Drug Trafficking?"

Mr. DICARLO. I would say 98 percent of the contents of the international strategy were drafted by INM.

Senator BIDEN. INM apparently believes the October 1982 Federal strategy fulfills INM's requirements under section 481 of the Foreign Assistance Act to report on the status of U.S. efforts to establish an international strategy to control drug trafficking. Would you tell me how we can measure the success of that strategy in meeting the objectives that the strategy was designed to produce. I mean, is there a means by which we can make such as assessment?

Mr. DICARLO. Yes; I think we have certain goals in our strategy. One goal I mentioned is that I want to include in this strategy additional international involvement in the narcotics problem. I think we are now pulling this together. We just came back from Vienna. I think we saw some results of that with certain countries getting this problem into their foreign ministries rather than at their police and health ministries. We can report we have achieved success in that as a result of our trip several weeks ago. That aspect of the problem seems to be working fairly well.

The question of inducing other countries to get involved in the problem also might be reflected in the interest now shown by the Italian Government who indicated they are prepared to spend $40 million in the Andean region. We think we had something to do with that, in getting involved with them, visiting with them and directing attention of the country to a certain area.

We believe in Pakistan where we say that we have to enter into agreements with the Pakistani Government to get them moving on certain things—we believe the Pakistanis have themselves in their program this year shown progress. We mentioned the closing of heroin laboratories in the Khyber Agency. We mentioned the fact that we had an INM program in the Malakand Agency, and the open invitation by the Pakistani Government for additional assistance to proceed there.

We think we have seen results as far as the interdiction effort in Thailand is concerned where the Thai Government is taking really forceful action against the border problem. That we think is in advance.

We think that in Peru, the marriage between INM and AID in their first project together is some improvement. Can I point to,

though, the fact that there is less heroin coming into the United States? Or, there is less cocaine coming into the United States? If that becomes a measure of success I would say no. Restating our strategy, we will only achieve lasting and substantial decreases of heroin as an example, coming into the United States if we are able to affect the production of opium in the key growing areas simultaneously. That is why we call it long range.

So measured by the amount coming into the United States, no, you will not see a decrease. And I will answer you now, I do not think we will see a decrease because of efforts in reduction in the next several years, and I can explain that by saying that while the United States consumes for its total adult population approximately 4 to 5 tons of heroin, the worldwide illicit opium production is somewhere between 1,500 and 1,700 tons—enough to produce 150 to 170 tons of heroin. It takes a very substantial reduction in the world in all of the areas where it is grown—simultaneously—to achieve that kind of a reduction, and I do not foresee that kind of reduction, given the fact that we have the problems we do in Burma.

That was one of the questions you were going to raise; would the Burmese Communist Party be able to cut that production off in the next year or two? We will not have that kind of result in Afghanistan where the DEA estimates production at 200 tons within the next several years.

What we aim to do, though, I would say we would be successful if we are progressing in these agreements country by country, attempting to convince them to cease and desist. Where we have these targets of opportunity, get them to cease and desist and narrow the areas where the drugs are being produced and, at the same time, raising in the international community the kind of abhorrence they should have to this production. We can get together and make sure new countries will not come into the market by applying that kind of pressure.

Senator BIDEN. What kind of success have you had in raising that concern among the West Germans, the Italians, the French, and the British?

Mr. DICARLO. It would be mixed. I would rather not go into full detail here, saying one is good and one is bad, but I would say this. In several of the countries we have managed to at least put it on the political agenda where it should be. It is a question of treaty, a question of international law, a question of one country sending a product to another which is damaging to the other country. It is not sufficient to be on the police agenda or the health ministry's agenda.

We have been successful in three of four cases in placing it in the foreign ministry—putting it on the foreign policy level. We have been successful in one case at having a high foreign visitor going to another country and raising the issue I think for the first time. It is usually the United States that does this, raising it for the first time as a question concerning his government.

We have managed, as I mentioned before, with the Italian Government. Their interest has greatly increased in the Andean cocaine and coca. They are now actively looking to South America. We think we have accomplished something in this area, but as I

said, if it is viewed within the context of have we cut down the heroin coming into the United States this year, will be next year, my answer to that will be no. If that is the measure of success, the answer will be no.

In all of our documents we state quite clearly and specifically that control is long range. Not in the sense that there are not countries that can do something in the short range, but given the capacity, given the areas we do not control or have access to, or where their governments do not control, this is going to be a long and difficult fight.

Senator BIDEN. I have many more questions but I am really exceeding the time I told the chairman I would take. Let me ask you one more question and then submit several to you for your response in writing.

We regularly hear in this committee the axiom that the Government of Pakistan cannot move more forcefully against poppy fields and heroin refineries in the Northwest Frontier Province because if it did, it would have a tribal rebellion on its hands. How confident are you that this judgment is correct?

Mr. DICARLO. I think you have to break Pakistan into various areas. Where most of the heroin that is now growing in Pakistan is grown, it is in the so-called merged areas of Pakistan. The Pakistanis—to answer your question first, as an advocate, I am never satisfied with any excuse. I am always pushing and should be pushing for more. I do not have the same problems they are having. The Pakistanis may have their own problems and their own concerns and their own agenda, but generally speaking, throughout, wherever I go I am never satisfied.

But getting back to Pakistan, in the context of what Pakistan has done, Pakistan had eliminated, before there was any U.S. assistance, all of their production of opium in the area which is called the settled area of Pakistan.

Senator BIDEN. This question is not meant to elicit a review of what Pakistan has done. All I am trying to get at is whether or not the State Department is satisfied that we really understand the basic conditions confronting drug control in Pakistan. Does the United States have enough information? My questions to you is how confident are you in the traditional judgments that the United States has been making about drug control in Pakistan?

Mr. DICARLO. I am not an expert. I would rely upon the CIA and those in the field of intelligence to give me the answer to that. If they say there would be rebellion I would accept it since I do not have my own agents giving me that kind of information.

Senator BIDEN. That is a fair answer.

Mr. DICARLO. I would say this. Pakistan has come to us and come to the international community, and in talking about the merged areas, saying you come up with assistance to us and as soon as we have those agreements in there and that assistance is shown to the people, we will enforce the ban in the merged areas. No other country has done this. Most of the countries want the fruits of the project in there. They want the benefits in there and then you will have to fight to see if they will eradicate the poppy they promised to eradicate.

That has not been thus so far with Pakistan. They have eliminated in the merged areas of Buner the poppy within the U.N. project in Buner.

This government, as part of the CND a few years ago, participated in another strategy; that was the CND strategy for the elimination of narcotics and the steps that should be followed in that. The Pakistanis have agreed to go beyond that U.N. strategy which we, as a member of the CND several years ago, voted for. That strategy indicated that it would not be wise to eliminate poppy or other narcotics before you had a full panoply of benefits, and before the opium farmer was taken care of. And all of the people in the surrounding area and region were taken care of.

That strategy I think is a blueprint for disaster rather than accomplishing anything in the narcotics area, but that does exist. But when the Pakistanis came to Paris a few years ago and made their pitch for assistance, they said give us the assistance and as soon as we have it there and it is something we can show to our people, we will enforce the ban.

We are now taking them up on that challenge, so I think we have made a great deal of progress. I cannot answer the question: could they go further, could they push harder, because of the intelligence factor. I will say we think we are making substantial progress in Pakistan.

Senator BIDEN. Thank you very much. And without objection—since there is no one else on this side of the bench, there will be no objection—I will submit additional questions to you in writing.

I thank you for staying this long. I appreciate your time. This hearing is adjourned.

[Additional questions and answers follow:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR BIDEN

Question 1. The Bureau of International Narcotics Matters is requesting $53 million of fiscal year 1984. A question that arises is what logical relationship this sum bears to the problems that are both posed to the United States by the international dimensions of illicit drug trafficking and susceptible to INM's sorts of programs.

The Department of Defense does not pull its budgetary requirements out of the air but rather derives them from the forces required to oppose specific, possible adversaries.

It has not been shown that INM's budget request bears any such logical relationship to the objective facts of international illicit drug trafficking.

What is the logical relationship between INM's request for $53 million in fiscal year 1984 and the nature of international, illicit drug trafficking? Why isn't the request for $10 million or for $200 million or for some other figure?

Answer. Our budget request is directly related to the status of our existing program agreements and ongoing negotiations with countries that produce and transship heroin, cocaine and cannabis to the United States.

We are asking for $53 million rather than $10 or $100 million since we believe, after careful assessment, that this figure accurately represents what can be responsibly expended in fiscal year 1984 in crop control and enforcement activities in the countries willing to accept our assistance.

The Government's international narcotics control objective is to reduce the flow of illicit narcotics and other dangerous drugs from their sources into the United States. The source countries are Pakistan, Iran, Afghanistan, Thailand, Burma, Laos, Mexico, Jamaica, Colombia, Bolivia, and Peru. The United States has narcotics control agreements with most major producer countries; for reasons unrelated to narcotics, we do not have program agreements with Iran, Afghanistan, Laos, and Jamaica. We also have agreements with Turkey and other key transit countries, including island nations in the Caribbean.

Our program agreements reflect the projected status in 1984 of our diplomatic efforts to encourage and assist these producer countries in exercising their responsibilities under the Single Convention on Narcotic Drugs and other treaties to control the cultiviation, production and distribution of narcotics and other drugs. These efforts are influenced by the relative control each government has over growing areas, the strength of its political will to curb narcotics cultivation and trafficking, and the comparative difficulties encountered in each country in achieving control over production and distribution. As the Committee knows, the governments in key producer countries do not have the necessary control over important growing areas; in others, the pace of control is a function of development assistance efforts reaching fruition.

Our strategy therefore centers on targets of opportunity which our diplomatic initiative generates. From this perspective, approximately $40 million of our proposed budget reflects programs in place and agreements in force. Most of the requested increase represents new programs which we are attempting to negotiate in fiscal year 1983, specifically, a marijuana eradication program in Colombia and coca eradication programs in Bolivia and Colombia.

The $53 million effort by our Bureau is part of a total international program which includes more than $30 million being spent by the Drug Enforcement Administration on its technical assistance and liaison activities, and increasingly significant commitments by the Agency for International Development to narcotics-related development assistance projects, such as its projects in Peru and Thailand and its pending program in Pakistan.

A perspective of the international narcotics control effort, and the sums expended on these objectives, must also include recognition of the bilateral and multilateral efforts of other governments and United Nations agencies. We have been attempting to boost these efforts, urging governments in Europe and Asia to upgrade the foreign policy priority for narcotics, to feature narcotics control in their bilateral relations with producer countries, and to increase their program contributions. We expect this year to see new coca control efforts in South America funded by the United Nations and European donors.

Question 2. The budget request mentions that the Government of Thailand's military operations against drug traffickers "have seriously disrupted trafficking and refining activities" in the Golden Triangle.

However, recent reports in the press and from visitors indicate that it is not at all clear whether there has been a reduction in trafficking in the Golden Triangle. According to a January report in the Wall Street Journal, some U.S. officials in Thailand wonder whether the fact that drug trafficking has continued at high levels in Thailand even after military operations against traffickers means that drug trafficking in Thailand is very different from what we thought it was.

What is your thinking on this subject?

What facts support the claim that there has been a serious disruption in drug trafficking in Thailand?

Answer. As a result of the nine major military raids (and many other minor actions) that have taken place on the Thai/Burmese border since January 1982, the traditional trafficking routes through Northern Thailand have been seriously disrupted. These raids, which were targeted primarily against Shan United Army (SUA) camps, outposts, refineries, and chemical dumps have resulted in the confiscation of significant amounts of opium, heroin, chemicals, and military equipment. Chiang Chi-fu, leader of the SUA, has been forced to move into Burma rather than risk further danger in Thailand. In addition, the SUA (and other trafficking organizations) have had to develop alternative trafficking routes to move opium and heroin from Burma into the international market. Reports indicate that the trafficking flow from Burma through Southern Thailand and Malaysia has increased significantly. Increased narcotics trafficking arrests in this area reflect this change. Furthermore, there is some evidence that opium and heroin from Burma are being smuggled into or through the Peoples Republic of China on the East and India on the West. Hong Kong also appears to be reestablishing itself as a major transhipment and trafficking area, particularly in heroin base.

While we think that the SUA continues to control the bulk of the opium and heroin in the Thai-Burma border area of the Golden Triangle, other organizations have moved in to challenge its supremacy. In addition, the Burmese Communist Party (BCP) appears to be involving itself to a greater extent in refining and trafficking in opium and heroin in the Northern and Eastern Shan State.

We have been assured that the Thai military intends to maintain the pressure again the trafficking groups in Northern Thailand because the RTG realizes that to

dislocate one major trafficking group in the area simply provides a vacuum that can be filled by other groups, as it appears is happening.

The changing trafficking pattern for narcotics in the Golden Triangle appears to reinforce the need for our multifaceted Southeast Asian strategy approach to halting illicit narcotics in the area. It is clear that without crop control at the source, interdiction alone, no matter how aggressively undertaken, is not sufficient to reduce the availability of drugs over the long term. As long as there is a market for narcotics and as long as there are narcotics produced to be sold, there will be trafficking organizations and trafficking routes to supply the goods to the market. Our basic narcotics strategy, therefore, must remain essentially the same: i.e. crop control, interdiction, and demand reduction, while tactically responding to changes in circumstances in a given area.

Question 3. (a) The largest single increase in INM funding to one country will occur in Bolivia in fiscal year 1984 which will leap from about $900,000 to $7.6 million.

Please describe in detail the specific eradication programs that this increase will fund.

Answer. Our proposed budget anticipates that we will successfully conclude an agreement with the Government of Bolivia on a phased program of voluntary and involuntary coca eradication in the Chapare and other key growing regions. The objective is to reduce Bolivia's enormous coca cultivation to levels needed for legitimate and traditional uses. Narcotics assistance to Bolivia has been suspended, except for a maintenance program, since 1980.

In fiscal year 1982, International Narcotics Control assistance for Bolivia was funded at a level of $240,000. This activity and a modest draw-down of pipeline funds maintained a low-level U.S. anti-narcotics presence in Bolivia, and an agricultural research facility.

In fiscal year 1983, the Department of State received an increase of $660,000 for Bolivia. The increase is to be applied to two new projects: the Narcotics Control Project receives $260,000 and the Coca Production Control Project receives $400,000. The Narcotics Control Project is an enforcement project designed to develop within the National Directorate for the Control of Dangerous Substances (DNSP police) the capability to control effectively the cultivation of coca and to restrict production of, and trafficking in, its illicit derivatives through the provision of technical advisors and project support commodities. The Coca Production Control Project is designed to support GOB efforts to limit coca production to that required for legal domestic consumption and export, and to support GOB programs for development of an agricultural system to provide alternate sources of income for coca farmers.

These projects are intended to provide the springboard for a major multi-year control effort during fiscal year 1984.

For fiscal year 1984, the Department has requested an increase of $6.77 million for a total request of $7.6 million for Bolivia. The increase is almost exclusively targeted at the coca control project. The largest component of this increase ($1.93 million) will be for the Coca Production Control Project and is to meet allied costs of labor for mandatory eradication and security support for the eradication teams. The second largest component ($1.25 million) will be used for air support (i.e. rental, maintenance and repair) for both the Narcotics Control and Coca Production Control Projects. The aircraft will be used by teams to search out and destroy cocaine laboratories, for inspection and verification activities, and for operational assistance to the military units which will provide security for the field eradication teams. Another significant component ($975,000) will be utilized for the labor and support costs for voluntary eradication. An aggregate of $925,000 million of the proposed increase will be utilized for various types of operational personnel and support costs: for mobile police, air inspection, precursor control, and investigative teams; and for increases in the Narcotics Assistance Unit staff. A sum of $835,000, divided between the Narcotics and Coca Control Projects, will be used to fund additional United States and Bolivian national contract personnel needed to provide specialized expertise and to supervise and administer these multi-faceted projects in the field. The remaining $855,000 will be used for various commodity costs—primarily for vehicles and communications equipment, but including agricultural supplies and office equipment and supplies, as well—plus POL, maintenance and repair costs to support the several activities undertaken under the two project agreements. The foregoing cost estimates are, of course, subject to possible adjustments in the course of the present negotiations with the Government of Bolivia over these agreements.

In summary, the Coca Production Control Project, and the complementary Narcotics Control Project are part of an over-all stragegy for Bolivia which envisions the negotiations in 1983 and initial implementation in 1983/84 of a 5-year, staged

reduction in coca cultivation according to specific timetables in the several coca growing areas of Bolivia. USAID is planning to complement this assistance with development programs in the same areas. The ultimate goal of the strategy is reduction of coca production to levels not to exceed Bolivia's traditional domestic requirements and legitimate export demand, and to establish effective controls over licit production and marketing.

Question 3. (b) The largest single increase in INM funding to one country will occur in Bolivia in fiscal year 1984 which will leap from about $900,000 to $7.6 million.

Is INM satisfied that senior levels of the Bolivian Government have not been corrupted by narcotics traffickers? How will INM monitor the use of these funds?

Answer. INM has no definitive information that senior levels of the Siles Administration have been corrupted by narcotics traffickers.

Question 3. (c) The largest single increase in INM funding to one country will occur in Bolivia in fiscal year 1984 which will leap from about $900,000 to $7.6 million.

How will INM monitor the use of these funds?

Answer. Any coca control agreement entered into with the Bolivian Government will have built into it specific benchmarks which should serve effectively to monitor the use of assistance funds, the overall performance of the Bolivian Government, and its continued commitment once those funds become available.

Question 4. How will the $8 million in fiscal year 1984 funds to the Colombian National Police relate to coca and marijuana eradication? Are these funds simply to upgrade the general capabilities of the National Police and therefore its ability to conduct eradication programs, or do they relate to a specific eradication program. If so what does it look like?

Answer. INM proposes to increase its funding for Colombian programs from $3.5 to $8.945 million, in anticipation of new agreements on assisting Colombia on a major marijuana eradication program and an expansion of its coca control program. These funds, therefore, are not simply to upgrade the general capabilities of the National Police, but, are to assist the Colombian government in distincitve new eradication efforts—when and if the Colombians agree to undertake such programs. INM has informed the Congress that, should the Government of Colombia fail to agree to such projects, the requested additional funds will not be expended.

If the Colombians decide to initiate such programs, with our assistance, a plan will be negotiated for supporting the separate eradication programs, to be undertaken by the National Police and/or other agencies. INM has stated its belief that the most effective marijuana eradication program would involve aerial spraying of herbicides. The total program assisted by the United States would also include support for Colombian efforts to destroy cocaine processing laboratories, to dismantle methaqualone tabletting facilities, and to disrupt marijuana and cocaine trafficking.

Question 5. Apparently much Mexican opium is coming from non-traditional areas and plots not susceptible to aerial spraying. How is INM helping Mexico to deal with this new problem?

Answer. The Mexican Government's aerial eradication program reduced imports of Mexican heroin from an estimated 6.5 tons in 1975, the peak year, to 1 ton in 1979. Estimates now indicate an increase in the amount of Mexican produced heroin available in the United States, in part attributable to changing cultivation patterns, and other factors. In 1981, an estimated 1.5 tons or 36 percent of the heroin consumed in the United States was Mexican-produced.

The effectiveness of the aerial eradication program has forced drug traffickers to attempt to protect opium fields from aerial detection and eradication. Traffickers are planting smaller fields; by 1982, the average opium field according to Mexican statistics was less than two tenths of an acre and often under a canopy of vegetation. Fields are located in remote, mountainous areas, normally in ravines to make spraying as difficult as possible.

We have worked closely with the Mexican Attorney General's office to respond to changes in opium poppy cultivation. We jointly developed a sweep operation strategy entailing the moving of groups of helicopters and support personnel from growing area to growing area to perform intense large scale reconnaisance and spraying operations. The Mexicans also have surveyed the entire country by air, searching for drug crops. The sweep strategy permits more effective use of the resources available to the eradication program and in particular provides an effective response to the intensification of opium production in secondary growing areas.

Traffickers have intensified opium growing in these secondary growing areas, principally the southern states of Jalisco and Guerrero, but we do not know how much of the heroin entering the United States these areas produce. The increase in

eradication program activity in Southern Mexico undoubtedly reflects the increase of opium production there. For example, until 1980, 75 percent of the spraying activity occurred in the northern tri-state area of Sinaloa, Durango, and Sonora, with 10 to 15 percent occurring in Guerrero. In 1980 and 1982, 33 percent of the spraying occurred in Guerrero.

We meet regularly with the Mexican Attorney General's Office to discuss program administration and indications of changes in the amount of Mexican-produced heroin available in the United States. We also review proposals to improve the effectiveness of the resources available for use in the eradication program. We have learned that the spraying of opium fields located in mountainous regions strains the personnel and equipment available to the Mexicans. We are therefore proceeding with the development and field testing of a new spray boom enabling accurate spraying from higher altitudes. The boom would ease the current difficulties in eradicating fields located in isolated areas such as mountain ravines. We are hopeful that this new program when developed could be of significant assistance to the Mexicans in countering the changing patterns in opium field cultivation.

Question 6. We regularly hear in this Committee the axiom that the Government of Pakistan cannot move more aggressively against poppy fields and heroin refineries in the Northwest Frontier Province because if it did so it would have a tribal rebellion on its hands. How confident are you about this statement? Do you believe that we really understand the state of affairs in the tribal areas of Pakistan well enough to explain in this way gaps in the effort of the Government of Pakistan?

Answer. Suppressing opium cultivation and closing illicit heroin laboratories in the tribal area of the NWFP are politically difficult problems. However, in contrast to the forceful closing of a heroin lab in Dara in early 1982 which met with armed tribal resistance, GOP approaches through the tribal elders resulted in the November, 1982, surrender of 27 labs in the Khyber region, and may be the approach favored for similar operations in the future. We are optimistic that authorities will continue actions to eliminate heroin laboratories. The Pakistanis are seriously concerned by the sharp increases in domestic heroin addiction, and believe that the presence of heroin laboratories in their country is a major cause of this problem which has emerged since 1980.

The 1979 poppy ban was enforced by Pakistani authorities in the settled areas of the NWFP, which are under full government control, and is extending its authority into the merged areas which are in transition from traditional local autonomy to Federal control. Immediate enforcement of the ban by police or para-military forces would have carried a high probability of provoking violent determined opposition, which could have seriously destabilized the area. Instead, the GOP is phasing implementation of the ban in merged areas, linking enforcement with economic assistance to promote rural development and encourage alternatives to poppy production.

Two examples are the Makaland project funded by INM and the Buner project funded by the United Nations. USAID is planning a project of development assistance for a third project area. Unlike most other governments to which the United States extends development assistance to aid narcotics control, Pakistan is undertaking enforcement actions before the benefits of rural projects in poppy growing areas are fully in place or realized.

We do recognize the dynamic nature of the political fabric in the NWFP. It is under constant review and possibilities for accelerated drug control activities and assistance are continuously pursued with Pakistani officials.

Question 7. (a) INM is requesting $2.5 million for 1984 for the United Nations Fund for Drug Abuse Control.

How has INM attempted to assess the success of the Fund's programs in specific countries?

Answer. As a major donor to the Fund, we are interested in the results of its work. We review UNFDAC's main efforts, especially those in countries where we also support bilateral projects, such as Pakistan and Thailand. We often discuss the status of projects with UNFDAC staff and regularly receive UNFDAC reports, including evaluations of major efforts. A full-time narcotics officer at our mission to international organizations in Vienna reports on and represents our interests to UNFDAC. We also receive reports on Fund projects from our Embassies and from INM officers traveling abroad.

Question 7. (b) INM is requesting $2.5 million for 1984 for the United Nations Fund for Drug Abuse Control.

Is INM satisfied that the U.N. Fund adequately monitors the implementation of these developmental programs?

Answer. UNFDAC has a small staff, based mainly in Vienna. Project implementation has been carried out by other agencies with expertise and a presence in the

host country. Despite its small staff, we believe the Fund has strengthened monitoring, by such measures as a careful screening of proposed projects and a closer working relationship with implementing agencies. For example, UNFDAC now receives quarterly financial reports from executing agencies, and we understand that the rate of expenditure vis-a-vis contributions has improved. UNFDAC in 1981 established a full-time evaluations officer position to achieve ongoing as well as close-out project evaluations.

Question 7. (c) INM is requesting $2.5 million for 1984 for the United Nations Fund for Drug Abuse Control.

Do the Fund's project agreements include provisions calling for the termination of aid if drug crops are grown in the area of projects or any sorts of standards for narcotics control that must be met within project areas?

Answer. The Fund's ongoing projects include crop substitution/income replacement in Pakistan, Thailand and Burma. These agreements do not include explicit provisions ("poppy clauses") calling for the termination of aid if narcotic crops are cultivated within the project areas. While there have been verbal agreements that beneficiary countries make sincere efforts to eliminate such cultivation in UNFDAC project areas, the Fund management has believed that countries had treaty obligations not to permit the cultivation of illicit narcotics, and therefore such "poppy clauses" were redundant. The United States has "poppy clauses" in its agreements for narcotics-related development projects and we have discussed the advantages of such "clauses" with officials of the Fund and foreign governments. We understand that the Fund's management is now reconsidering its policy and may eventually include "poppy clauses" in agreements for narcotics-related development projects.

Question 8. Are there any programs in any drug source or transit countries that INM would like to be able to support in 1984 but will be unable to do so because the request is not higher than $53 million?

If so what, in specific detail, are they? What would they cost?

Answer. No. If new opportunities arise, INM will, where appropriate, ask the Congress for additional appropriations or we will seek Congressional concurrence for reprograming of funds.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

Question 1. Have the revised United States-Colombian Extradition Treaty and the new Mutual Legal Assistance Treaty helped to combat narcotics trafficking between the two countries?

Answer. The Mutual Legal Assistance Treaty is pending in the Colombian Senate for ratification. The United States-Colombian Extadition Treaty has accelerated Colombian actions in indicting individuals involved in narcotics trafficking. For example, 18 cases are currently pending in the Colombian legal system as a result of DEA's "Operation Swordfish."

Question 2. Since 1973, the United States has contributed over $75 million to Mexican efforts to eradicate and interdict marijuana and poppies for opium and heroin. What have been the dividends for the United States on this sizable investment? What lessons have we learned from the Mexican experience and how is this knowledge being applied eleswhere?

Answer. The dividends resulting from the Mexican program to reduce narcotic crops by the aerial application of herbicides are evident. In the mid-1970's, an estimated 87 percent of the heroin and nearly all of the marijuana entering the United States was produced in Mexico. By 1981, these percentages has been reduced to 36 percent of the heroin and 3 percent of the imported marijuana. We believe the Mexican program demonstrates that a strong government making the policy decision to reduce drug crops can successfully implement and continue an eradication program, and that aerial spraying of herbicides is the most effective and efficient manner of controlling drugs. To enable U.S. support for herbicidal eradication programs elsewhere, the Department has completed an Environmental Impact Statement for herbicidal eradication of marijuana in the Western Hemisphere. Assistant Secretary DiCarlo issued the decision on December 21, 1982. We are now encouraging other countries to implement drug control programs similar to the Mexican effort.

Question 3. Is there a foreseeable end to U.S. assistance to the Mexican Government for crop eradication?

Answer. We are providing $7.7 million in fiscal year 1983 and have requested $8.5 million for fiscal year 1984 to support the eradication program. Although the Mexi-

can contribution has in the past consistently exceeded the U.S. contribution and although the Mexican intent has been to become financially self-sufficient, Mexico's recent economic problems may cause it to reduce its contribution to the program for the near future. Additional U.S. support may be necessary for continuation of the eradication program at its recent levels of effectiveness. Our shared long term goal remains Mexican self-sufficieny in this important endeavor.

Question 4. A key coca producing area is the Upper Huallaga Valley located east of the Andes in the "high sierra" area of central Peru. The Peruvian Government has pledged to start a coca control program and, with AID assistance, a rural development program in the valley. What is the status of this effort? Has it shown any results to date?

Answer. As part of the coordinated approach to the coca problem in the Upper Huallaga Valley, the Department of State's Bureau of International Narcotics Matters and the Agency for International Development signed complementary project agreements with the Government of Peru in the fall of 1981. The agreements provide the bases for a coca control program and for rural development to assist farmers in earning a living through alternative means. The INM program anticipates the expenditure of approximately $15 million in anti-narcotics assistance over a 5-year period, while the AID program consists of $15 million in loans and $3 million in grants over the same period. In a 1982 project agreement, the GOP committed itself to a phased coca eradication effort anticipating the elimination of all illicit coca from the area by 1987.

Preliminary studies for the AID development project have been completed and the project is in initial stages of implementation. The coca control portion of the INM project has been slower to begin for a variety of reasons, but the enforcement vehicle, UMOPAR, has been created and built to its intended strength. The office of the Coca Control Project (Spanish acronym CORAH) has recently been opened in Tingo Maria and is presently staffed by the two deputy directors of the project. It is expected that with the opening of the project office the voluntary eradication phase should begin in the very near future. If voluntary eradication, for which farmers will be compensated for their labor, does not show early success, the plan is to follow it with a mandatory program.

Question 5. Considering the importance of the Caribbean as a transit area for illicit narcotics entering the United States, why does your budget only provide $650,000 in assistance to these island countries?

Answer. We recognize a need for interdiction and other enforcement activities in the international program. Thus, we support such programs in the producer countries, in transit countries, and in the Caribbean—directly or in cooperation with other U.S. agencies. INM interdiction programs complement the broader Federal effort targeted on the interdiction of trafficking from Latin Ameria to the United States: from Mexico across our Southwestern border; from Jamaica to the East and Southeastern Coasts; and from the source countries of Bolivia, Peru and Colombia through Central America and the Caribbean. We encourage and support interdiction efforts by governments in the Caribbean and Central America through diplomatic initiatives, direct assistance, and training. We also provide support to other agencies in their Caribbean activities. However, while interdiction is an important component in the U.S. Government's Caribbean strategy, it is an expensive and resource intensive effort which, even with modern technology, has stopped only a small percentage of the drug flow.

We therefore concentrate INM-funded interdiction efforts in the source countries, or as close thereto as possible. The levels and types of assistance provided reflect this strategy of staging interdiction efforts close to the production source. The INM strategy also takes into account the Caribbean interdiction activities of the Drug Enforcement administration, U.S. Customs, the Coast Guard and military, as well as other units in the Departments of State and Justice.

INM obligations for interdiction programs in the Caribbean over the 5 years ending in fiscal year 1982 were about $5 million. This total includes $2,224,000 in INM funding for a project by Colombian Customs which is designed to interdict trafficking in the Caribbean; a special project undertaken by the Colombian Navy which includes INM providing a patrol boat (valued at $2,210,000) which will be used for narcotics patrols in the Caribbean and Pacific; and, more than $700,000 in support for other interdiction projects in the region.

Question 6. What efforts are being made to work with the Seaga government in Kingston to reduce the amount of Jamaican grown marijuana entering the United States?

Answer. Jamaica is important to our Caribbean strategy because it not only is a major transshipment point, but it is the only significant narcotics producer in the

region, providing about 10 percent of U.S. marijuana imports. We are very interested in engaging the GOJ in a cooperative program to reduce and, eventually, to eliminate its exports of marijuana to the United States. Thus far, however, the Government of Jamaica has not accepted U.S. Government offers of assistance on a cooperative crop control effort.

Jamaican authorities have eradicated some cannabis; for example, in October 1982, the Jamaican police reportedly destroyed 138 acres.

There has also been an active cooperation effort between DEA, other United States and Jamaican law enforcement agencies for many years, including Coast Guard collaboration with its Jamaican counterparts in controlling seaborne trafficking. We have funded training by DEA and U.S. Customs for Jamaican police and customs officials in narcotics detection and enforcement. We also are considering requests to provide equipment to the Jamaican police to assist its narcotics enforcement activities.

Question 7. A large portion of U.S. assistance to Burma is for the purchase and maintenance of fixed-wing aircraft and helicopters used in eradicating and interdicting poppy crops and refined products. Is this the most effective way for the Burmese Government to combat the situation? If so, do you consider the present level of assistance adequate? It has been estimated by some observers that it would take $25 million-$30 million worth of aircraft to have a major impact on opium production. Do you agree?

Answer. Given the size of the area in Burma in which opium is grown and the fact that major portions of opium growing territory are outside of Burmese Government control, we continue to believe that aircraft and helicopters are a vital asset for crop eradication, interdiction of traffickers and as transportation for Burmese military to areas where an attack on a caravan or refinery would take place. The present level of assistance is primarily for maintenance of the aircraft and communications equipment previously provided to the Socialist Republic of the Union of Burma (SRUB). Until the SRUB believes it is able to engage in expanded control programs, the present level of assistance is adequate. An additional input of aircraft worth $25 to $30 million, e.g. a C-130 ($27.5 million-$30 million) would, we believe, be used by the SRUB for primarily military, not narcotics purposes. It could no doubt also transport troops into narcotics growing or trafficking areas. Any consideration of such equipment should be under other types of funding since its use would not be primarily narcotic related.

Question 8. How much of a threat is the Burma Communist Party to the stability of the central government? Would you characterize the BCP as first and foremost a political force and secondarily a narcotics organization or vice versa?

Answer. The Burmese Government perceives the Burmese Communist Party (BCP) to be a significant threat to the stability of the Central Government. According to our information, the BCP maintains a force of 9,000 to 12,000 regulars and enjoys the support of a significant portion of the population in the Shan State east of the Salween River. Although the BCP probably poses no immediate direct threat to the central government, the resources necessary to combat the organization both in human and economic terms have been a significant drain on the SRUB.

Prior to 1978, orders were issued (and partially enforced) by the BCP Central Committee banning opium growing. However, BCP policy changed in 1978-79, with a full-scale move into Party-sponsored and centrally-directed cultivation and trading of opium. Information available indicates that the BCP currently controls upwards of half of the opium cultivated in Burma. Recent reports indicate that the BCP is becoming more heavily involved in refining and trafficking of opium/heroin as well.

Question 9. What is the status of the Shan United Army? Is it still a viable narcotics producing and trafficking organization? Is the Thai Government continuing to pressure the SUA? In what ways?

Answer. Thai military raids against Chiang Chi fu (Khun Sa) and the Shan United Army (SUA) under his command, began in January 1982 and have continued through 1982 and into 1983. The initial raids destroyed the plush and well fortified compound of the SUA in Baen Hin Taek and pushed Chiang Chi fu and his troops across the border into Burma.

Although in subsequent months Chiang Chi fue attempted to reestablish his activities in other areas of Northern Thailand—always within several kilometers of the border—Thai border patrol actions displaced the SUA fortifications, refineries, and chemical dumps. Because of these actions, the average price of heroin on the border declined as a major market shift occurred away from areas controlled by the SUA to areas controlled by other trafficking groups. Despite the physical disruption to facilities and the constant harassment by Thai military that discouraged buyers and

traffickers alike from visiting these areas, the SUA remains the most important trafficking group in the Northern Thailand/Burma border area.

Question 10. Thailand has a relatively large domestic addict population. What is the scope of the problem? What is the Thai Government doing to address this problem?

Answer. Estimates of the Thai addict population vary considerably; however, the Office of Narcotics Control Board has estimated a heroin addict population between 400,000 and 600,000. The Thai Government has established, with the assistance of the U.S. Government and the United Nations Fund for Drug Abuse Control, a system of clinics in Bangkok operated by the Bangkok Metropolitan Health Department and another network of clinics throughout the remainder of the country operated by the Ministry of Public Health. These clinics are able to provide detoxification on demand but, because many detoxified patients return to addiction, the overall incidence of heroin addiction has not abated.

Question 11. Last year, a Thai diplomat was arrested in this country for smuggling heroin. What is the status of the case? What is the position of the Thai Government in this matter?

Answer. Last week a Chicago court sentenced the Thai diplomat to service 30 years in jail. Previously, a Baltimore court sentenced him to a term of 15 years to be served concurrently with any other sentence. The RTG has been supportive of U.S. actions in this case.

Question 12. The hilltribe populations in Thailand have produced opium for many years. The Thai Government had indicated that if necessary it would eradicate hilltribe opium crops by force. Has this taken place? If not, why? How much of this opium production moves to the commercial market?

Answer. Although the Thai Government is a signatory of the 1961 Single Convention on Narcotic Drugs, opium gum is produced in relatively significant amounts (50 mt) in Thailand. The RTG at various times has said it would eradicate opium poppies by force in growing areas which have received adequate economic assistance, but in fact very little eradication has taken place and none in those areas since late 1981. However, the RTG has declared it will develop a comprehensive crop control strategy in early 1983. According to the RTG, its reluctance to eradicate is based in part upon traditional opium use by hilltribes and in part upon a concern that opium is the sole crop of many hilltribe communities which it says could starve without the revenue, small though it is, that opium can bring. In addition, the RTG claims that it is concerned that insurgent groups (like the Thai Communist Party) could make significant inroads in areas where villages were disaffected and poorer as a result of losing their opium crop to sell. In all cases, however, destruction would apply to commercial plots of opium poppies, not small grown for local addict use or medicinal purposes. While we recognize that there are some justifiable concerns about security and the welfare of the hilltribes, we are very disappointed that the RTG has not eradicated opium poppies grown in areas which have benefitted from the United Nations crop substitution program.

Estimates indicate that the majority of opium poppies grown in Thailand is either consumed locally as opium in the highlands or as heroin in the major cities.

Question 13. Should U.S. assistance to Pakistan be terminated if it becomes clear that sufficient efforts are not being made to combat the problem? What do you consider an unacceptable effort?

Answer. Any consideration of terminating U.S. assistance will take into account not only the cooperation and support Pakistan is giving to narcotics control, but other U.S. interests and factors mitigating against the drug control progress we would like. Termination of assistance to specific projects, for example projects with the so-called "poppy clauses," would occur after careful examination of all factors impacting on Pakistan's performance in controlling opium poppy cultivation. We believe the Government of Pakistan takes these narcotics control commitments made in the project agreements seriously.

Question 14. An integrated rural development project funded by the U.S. is nearing completion in the Malakand Agency. Has the project succeeded in getting farmers to adopt alternative crops and income sources? What kinds of crops are considered viable alternatives to cultivating poppies?

Answer. This 3-year project is still in early stage, having begun in October 1982. A Coordinating Council made up of provincial officials and local leaders was established to propose and oversee the various infrastructure projects. To date four such projects have been approved, funded, and are now being implemented. They are:

Water Resource Development project; improving Persian Wheel wells ($20,000).

Establishing nurseries for reforesting and fruit tree development ($100,000).

Ten mile road improvement project; a labor intensive program ($750,000).

Electrification project ($150,000).

We are not only seeking to improve infrastructure and to introduce new kinds of crops to the farmers, but also to assist them in improving the crops they presently produce by introducing them to improved seeds and fertilizers, better use of land to its maximum agricultural potential, improving irrigation and farm mechanization methods, and introducing an improved farm credit system. Through project-related U.S. efforts, soybeans and groundnuts were introduced in the NWFP and have met with considerable success. Potatoes, fruit trees, sunflowers and almonds are also possible alternative crops.

Question 15. AID is scheduled to begin a rural development project in the NWFP in fiscal year 1984. What are the project objectives? How will you coordinate your efforts with those of AID?

Answer. The question apparently refers to the Area Development project which AID is currently designing to impact on a major poppy-growing area (probably the Gadoon area) of the NWFP. The project will actually start in the current fiscal year (fiscal year 1983) and will include a mix of agricultural and rural development activities.

The basic objective of the project is to provide viable economic alternatives to those people of the area currently engaged in illicit poppy cultivation. AID's development assistance will be linked to enforcement actions by the Pakistani authorities.

INM will be coordinating with AID on the enforcement aspects of the project. In designing this project, AID will benefit from lessons learned by INM in its Malakand Agency project.

It should be noted that AID launched another rural development project in the NWFP in fiscal year 1982. The Tribal Area projects includes the development of water resources (tubewells), rural road construction, and other rural development activities.

Question 16. The fiscal year 1984 request for Turkey provides $1 million for enforcement assistance. How do you rate the effectiveness of Turkish law enforcement in combatting narcotics trafficking? Specifically, how will the fiscal year 1984 request improve Turkey's performance?

Answer. Our assistance is primarily to provide Turkish law enforcement agencies (The National Police and Jandarma) with commodities to upgrade their enforcement capabilities for the interdiction of illicit narcotics. Specifically, commodities such as vehicles, and laboratory and communications equipment are needed to meet the requirements outlined in a 5-year plan prepared by these agencies. Additionally, we will continue to provide training assistance to customs and other enforcement agencies.

The TNP and Jandarma are well-led and well-motivated units which are waging an effective anti-narcotics campaign in a geographically vital transit area. The only thing these agencies lack is the capability to acquire adequate, appropriate equipment and training, and it is in this area that our assistance is concentrated.

Question 17. For many years, Turkey has been an opium smuggling route from Asia to Europe. That being the case, what is the level of cooperation between Turkey and Pakistan in attempting to combat the mutual problem? What has the U.S. Government done in the past year to facilitate such cooperation?

Answer. Pakistan has increased its efforts to interdict opium moving westward to Turkey, usually via Iran. Both nations cooperate bilaterally and through such international organizations as Interpol.

We have provided commodity and training assistance to Turkish and Pakistani narcotics law enforcement officials and have encouraged bilateral contacts between the two nations.

Question 18. What is the value to the United States of contributing to UNFDAC? What are its strengths and weaknesses as an organization?

Answer. The United States was the first nation to acknowledge the international scope of the drug problem and is recognized as the leading nation in the fight against drug abuse. We were active in the establishment of UNFDAC in 1971 and continue to be a major donor. The existence of this multilateral drug agency enables some nations to contribute to international narcotic control efforts that would not otherwise do so. United States interest and support has enabled UNFDAC to become a mature and effective agency for assisting needy countries to combat a range of drug-related problems. The Fund has remained a small, flexible organization that can respond to frequently shifting drug problems. As a U.N. body, it has sometimes been welcome where bilateral U.S. projects were not acceptable to the host government. Unfortunately, most nations provide token support to UNFDAC

with only the United States, the Federal Republic of Germany, Norway and Sweden, contributing $500,000 or more annually.

Question 19. The fiscal year 1984 budget calls for a U.S. contribution of $2.5 million to UNFDAC. Yet, the United States already is providing significant assistance to a number of countries that receive support from UNFDAC. Isn't this redundant? How do you distinguish UNFDAC's mission from that of our international narcotics control program?

Answer. We work closely with UNFDAC to ensure that our activities do not overlap, but rather complement one another. We share information and benefit from one another's experiences. Both the Fund and the United States have crop substitution-income replacement projects in Pakistan, but these are in different opium poppy growing regions. The same is true in Thailand, where we both have opium poppy replacement projects, but in different areas. In both countries, UNFDAC's projects are underwritten by other donors' earmarked contributions. In South America the United States has multi-faceted programs in Colombia and Peru, with emphasis on enforcement and, recently crop substitution-income replacement in Peru. The Fund has had only modest demand reduction projects in that region. However, it is currently considering the possibility of alternative income/crop control activities in certain Latin American countries, which would be valuable supplements to our bilateral efforts. Latin American countries could find it politically desirable to cooperate in a multilateral anti-narcotic program rather than one obviously associated with the United States alone.

[Whereupon, at 12:35 p.m., the committee adjourned, subject to call of the Chair.]

EUROPE: LEGISLATIVE ISSUES

WEDNESDAY, MARCH 9, 1983

UNITED STATES SENATE,
SUBCOMMITTEE ON EUROPEAN AFFAIRS OF THE
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Richard G. Lugar (chairman of the subcommittee) presiding.

Present: Senators Lugar, Mathias, Biden, Sarbanes, and Tsongas.

Senator LUGAR. This hearing of the Subcommittee on European Affairs of the Committee on Foreign Relations will come to order.

I would like to make a short opening statement, and then I will recognize the panel of administration witnesses.

So that all witnesses and all those who have joined us for the hearing will have some idea of the format of the afternoon, we will have a short break for a classified session for material the administration wishes to present to the subcommittee in the room immediately behind me. After we have heard the opening statement of the three witnesses, we will then proceed to questioning of the three by the Chair and others who may join us today.

The Subcommittee on European Affairs meets today to consider and examine the administration's request for economic and military assistance to the European region, primarily to five southern European countries, Greece, Turkey, Spain, Portugal, and Cyprus. The President's fiscal year 1984 request for security assistance for southern Europe is $1.79 billion. This represents 17 percent of the worldwide fiscal year 1984 administration request of $9.2 billion.

The program consists of $230 million in economic support fund [ESF], $290 million in military assistance program [MAP], $1.25 billion in foreign military sales [FMS] financing, $11.7 million in international military education and training fund [IMET], and $9 million for the United Nations Forces in Cyprus.

The countries of southern Europe for which security assistance is being requested are all important friends of the United States. With the exception of Cyprus, they are all members of the NATO alliance. Each of the countries for which security assistance is requested is geostrategically important and capable to various degrees of carrying out its various NATO assigned responsibilities.

Greece and Turkey each have important roles to play in NATO, and in furthering the interest of peace and stability in the eastern Mediterranean. The United States has attempted to work with each of these nations, and stands ready to continue to assist in pro-

moting greater cooperation between Greece and Turkey in ways in which they think would be helpful.

The administration's request for aid to Greece and Turkey must take into account the NATO defense needs and capabilities of each country. Support for these nations must be based upon an objective assessment of their needs and the NATO responsibilities they have assumed.

The United States is presently involved in base negotiations with Portugal as well as Greece. The commitment and dedication of the Government of Portugal to NATO is highly commendable. Portugal's willingness to play an even greater role in the alliance if assistance can be provided to do so is also welcome.

Relations between Spain and the United States have been further strengthened by the signing in July 1982 of a successor agreement to the 1976 Treaty of Friendship and Cooperation and Spain's entry into NATO membership in May 1982. Despite budgetary constraints at home, it remains in the U.S. interest to help insofar as we are able these countries to meet their security assistance needs. Maintaining a strong and viable southern flank of NATO is in the national security interest of the United States.

In this context, the subcommittee looks forward to a strong explanation of the tangible benefits to the United States that we might derive from foreign assistance in terms of both enhancing the security of western democracies in NATO and strengthening the interdependent economies of the United States and our allies.

The year 1983 is an important one for the United States in European relations. The United States and allied commitment to the NATO dual track decision in 1979 for theater force modernization and arms control negotiations with the Soviet Union will be of paramount importance to the future of the NATO alliance. This is especially so in light of the current Soviet rejection of the President's zero option proposal.

A viable balance between Warsaw Pact and NATO forces remains a critical consideration for the maintenance of peace in the world.

I look forward to hearing from our witnesses today for a detailed explanation of both the needs and justification for levels of assistance to Greece, Turkey, Spain, Portugal, and Cyprus; for an analysis of the balance in the Mediterranean region; for an account of the base negotiations the United States is presently involved in with both Greece and Portugal; and for a general assessment of the relationship of the United States with all of these countries.

The Chair would like to welcome on behalf of the committee the initial panel of witnesses who will speak in this order: Hon. Richard R. Burt, Assistant Secretary of State for Europe in the Department of State; Hon. Richard N. Perle, Assistant Secretary for International Security Policy, Department of Defense; and Mr. Russell Misheloff, Director, Office of European Affairs, Bureau for Near East, Agency for International Development.

Mr. Burt, would you proceed?

STATEMENT OF HON. RICHARD R. BURT, ASSISTANT SECRETARY OF STATE FOR EUROPE, DEPARTMENT OF STATE

Mr. BURT. Thank you, Mr. Chairman.

I am pleased to be here this afternoon to justify our economic and security assistance request. I have submitted a lengthier statement for the record, and I would just like to make a few brief remarks in overview.

Senator LUGAR. It will be made a part of the record in full.

Mr. BURT. Thank you. Maybe I should begin with the statement you made about the critical place the alliance holds in American foreign policy and national security interests. As part of our alliance, security assistance is critical to our foreign and defense policy planning for the alliance. We are asking this year for a realistic increase that we believe is necessary for some of our NATO friends to insure the continuing vitality of the alliance.

And I believe recently Under Secretary Schneider appeared before this committee and pointed out that security assistance is truly a positive and effective means of insuring American national security.

For example, it would cost some $60,000 to equip and maintain one U.S. solider in Turkey, and it costs only $9,000 today for one Turkish solider.

As your opening remarks indicated, our assistance program for Europe principally focuses on four nations, Spain, Portugal, Greece, and Turkey, and this program is designed mainly to support their NATO roles.

In the case of Spain, we are asking for $400 million in FMS, $12 million in economic support funds, and $3 million in IMET for training. Spain has been an important strategic partner of the United States since 1953. In entered the NATO alliance last May, and with the recent elections, it was clear that democracy is firmly in place in Madrid.

As you indicated, we signed a new bilateral agreement with the Spanish Government July 2d, 1982, and as part of that agreement, the United States pledged its best efforts in security assistance, and this agreement provides us continuing access and use of military facilities in Spain. We expect this new agreement to be ratified in late April or May by the new Spanish Government which, of course, was recently elected.

In the case of Portugal, we are asking for $45 million in FMS, $60 million in MAP grant funds, $40 million in ESF, and $3 million for IMET. Portugal is a close partner and a reliable ally and a strategically placed ally. It continues to consolidate its young democracy. The Portuguese economy remains troubled and does need help to carry out its military modernization goals to meet its commitments to NATO. We and other NATO countries are encouraging this process, and our security assistance is vital if Portugal is to remain an important partner of the United States and a valuable member of the alliance.

In the case of Greece, we are asking for $280 million in FMS and $1.7 million for IMET. This amount will provide equipment and support to assist Greece to fulfill its NATO responsibility in the defense of NATO's southern flank. We believe that this assistance is

an integral part of the overall United States-Greek defense relationship, which is an important relationship.

Although Greece has made significant progress in modernizing military equipment, we believe further aid is necessary.

The administration is prepared to request additional aid in the context of an acceptable base agreement, and as you note, negotiations are underway now in Athens on a new defense cooperation agreement with Greece.

In the case of Turkey, we are requesting $525 million for FMS, $230 million MAP grant funds, $175 million ESF, and $4 million IMET. Turkey is the anchor of NATO's southern flank. It provides the United States with increasingly vital military facilities. It has the potential, moreover, to play a very significant role in the Middle East and Southwest Asia. Turkey maintains the second largest armed forces in NATO. It defends land and sea border against Bulgaria and the Soviet Union, and of course it has common borders with Iran, Iraq, and Syria.

Its need for defense modernization which my colleague, Mr. Perle, will go into some detail in discussing today, is urgent and cannot be accomplished without substantial U.S. assistance. We believe our aid will serve as a stabilizing factor in the region, and will not disturb fundamental balances in the area. We support a strong, secure Greece and Turkey, both playing positive roles in NATO and other Western forums.

The Turkish military intervened in 1980 to save Turkey from chaos. They have restored peace and security, and are moving in accordance with a reasonable time table to restore democracy and the full enjoyment of human rights this year.

Economic assistance, the economic assistance decrease that we are requesting this year reflects the substantial improvement of the performance of the Turkish economy over the past 2 years, but it is still necessary, the $175 million we are asking in ESF is still necessary to assure full recovery.

Very briefly, Mr. Chairman, on other programs, in Cyprus, we are requesting $3 million in ESF grants. Since 1974, our assistance has totaled $146.5 million. This has helped spark a remarkable economic recovery in Cyprus since 1974. The creation of the scholarship program in 1981 for university students will enable 150 young Cypriots to come to the United States for education and training, and the requested amount to continue training is a very attractive alternative to training and education of Cypriot students by the Eastern bloc.

We are continuing small IMET, military training programs for Austria, Finland, Iceland, and Yugoslavia.

In closing, Mr. Chairman, Secretary Shultz on February 15 emphasized to this committee that our general program security assistance and economic assistance is vital to a robust, stable, and credible U.S. foreign policy. I want to stress that the resources we request are essential to provide the kind of leadership that is needed.

At the same time, our assistance program will promote the capacities of our friends and allies to assume greater responsibilities. As such, security assistance in the case of Europe is a fundamental pillar of our alliance strategy.

I would be happy to answer any questions you would have. Thank you.

[Mr. Burt's prepared statement follows:]

PREPARED STATEMENT OF HON. RICHARD R. BURT

I appreciate the opportunity to appear before this committee in support of the European portions of the administration's proposals for security assistance in fiscal year 1984.

As Secretary Shultz emphasized to this committee on February 15, 1983, the general program of security assistance and economic assistance is of great importance to us in our foreign policy. He also emphasized before the House Foreign Affairs Committee on February 16, in support of our foreign assistance programs, that NATO is an alliance that serves the interest of the United States as well as of our allies. I have participated in the development of the integrated foreign assistance program to meet our national economic and security objectives, as well as those of our close allies who share these objectives. I want to emphasize that security assistance is an essential part of both our foreign policy and defense planning, and I would now like to describe our major programs in support of the NATO allies requiring assistance, as well as a program for Cyprus.

SPAIN

Spain has been an important strategic partner since 1953. Now, with its entry into NATO last May and its democracy firmly in place following elections and a peaceful change of government last fall, Spain has become an important democratic ally as well. The basis for our security cooperation has thus broadened, modernization of Spanish military forces to NATO standards has gained new importance, and our security assistance relationship has become more vital than ever.

In this context, the United States and Spain signed a successor agreement to the 1976 Treaty of Friendship and Cooperation on July 2, 1982. The new Spanish Government, after negotiating a supplementary protocol which clarifies the relationship between the agreement and NATO has proceeded with the ratification process, which is expected to be completed in late April or early May. It has, however, "frozen" further military integration into NATO pending an overall review of its security policy. The new agreement provides for United States "best efforts" in security assistance and ensures continued United States use of important Spanish military facilities.

U.S. security assistance is thus an integral part of this important security relationship. It is vital to the credibility of our "best efforts" pledge and to our reliability as an ally, and it is vital to Spanish efforts to bring their force to NATO standards. And, apart from securing U.S. direct military benefits in Spain, U.S. security assistance will serve broader security interests, encourage Spain to see the greater benefits of cooperation in a NATO context, and signal our continuing support for Spain's still young democracy.

The proposed fiscal year 1983 security assistance program for Spain consists of $400 million of foreign military sales financing (FMS), $3 million of international military education and training (IMET), and $12 million of Economic Support Fund (ESF) assistance. The FMS financing request will help Spain to purchase advanced fighter aircraft, an air defense missile system, helicopters, Harpoon missiles, torpedo improvement kits, and ground support weapons (LTV's and tanks).

The fiscal year 1984 IMET will support armed forces modernization by increasing the overall professionalism of the Spanish Armed Forces. It will also provide specific training course (pilots training missile systems, maintenance, logistics, administration) to help ensure the most efficient use of FMS-supplied resources. The fiscal year 1984 ESF request will fund the educational, cultural, and scientific programs administered by the Department of State and the U.S. Information Agency. These programs enhance the nonmilitary aspects of our relationship with Spain and are important in developing a broad range of ties appropriate for two friends and allies.

PORTUGAL

Portugal is a close, reliable, and strategically important ally. It has consistently stood by us, taking a forthright stand on such international issues as Poland and Afghanistan, an interested and helpful stance on problems in the Middle East, and it is a valued interlocutor regarding developments in southern Africa. Furthermore, the facilities it makes available for our use as part of our security cooperation rela-

tionship are critical to NATO resupply and reinforcement, and to possible contingencies in other parts of the world.

We are currently engaged in negotiations regarding that relationship. While the negotiations are in abeyance at the moment pending the elections of a new government in Portugal, we are confident that it will be possible to arrive at a new and mutually satisfactory agreement in the course of the year.

It is clearly in our own interests to do so. Not only are the facilities to which we have access vital, but our security cooperation relationship is closely tied to the process through which Portugal seeks to expand its own direct and active contribution to Western defense efforts.

Portugal is a charter member of NATO, and takes seriously its alliance responsibilities. It wants to play a more active role in NATO, and we welcome this desire. At the same time, the Portuguese economy has been very hard hit by the international recession, and Portugal needs help from its friends if it is to be able to carry out the military modernization required for it to meet NATO force goals and expand its own participation and contribution to the common defense.

It is clearly in our own interests to encourage this effort, and we and other NATO partners are engaged in a concerted effort to do so.

The multilateral program, to which our own security assistance is partially directly, focuses on the construction of three new ASW frigates, which would enable Portugal to assume an important role in ASW protection of the central Atlantic. Other anticipated purposes of our assistance include a second squadron of A-7 aircraft, a few more C-130's for support of a NATO-dedicated airlift brigade, and P-3 aircraft to contribute to ASW effort. Military training is a further and integral part of the effort to enable Portugal to contribute more actively and effctively to the defense of the West.

Economic support funds are also important. Portugal is the poorest country in Western Europe, and the Azores Islands, where most of these funds would go, have a per capita income one-third that of the country as a whole. These funds are an important expression of our support for Portuguese democracy and of our friendship for the Portuguese people. The remaining portion of these funds would be aimed at creating a Luso-American Foundation to coordinate private efforts at economic and technical cooperation following the elimination of AID in Portugal.

ADMINISTRATION'S EASTERN MEDITERRANEAN POLICY—GREECE, TURKEY, CYPRUS

Let me now review the administration's security assistance proposals for Greece, Turkey and Cyprus for fiscal year 1984 and to discuss more generally U.S. relations with the countries of the eastern Mediterranean.

Few areas of the world are of more importance to our interests and concerns. The eastern Mediterranean is the juncture of several political areas—Western Europe, the Balkans, the Soviet Union and the Middle East/Southwest Asia. The continuing strategic significance of this area is obvious. Turkey, for example, not only faces the Soviet bloc in the Balkans but also in the Caucasus where it abuts directly potential Soviet lines of advance to the Gulf. To protect our interests and those of our allies a strong and effective NATO southern flank is essential. Unfortunately, the effectiveness of this flank has been eroded and is a matter of grave concern to the administration and to our allies.

U.S. policy in that region is guided by several fundamental goals. It is essential that we strengthen our bilateral relations with two firm and longstanding friends and allies—Greece and Turkey. Furthermore, it is vital to strengthen NATO's southern flank, thus enhancing Western security interests in the Eastern Mediterranean and beyond. At the same time, the President and all of us remain fully committed to help in the search for a Cyprus solution that will enable the two Cypriot communities to live peacefully together as one country. I want to emphasize that each of these goals is important and full effort and attention must be paid to them if we are to succeed. What I want to do today is outline the administration's program for assistance which we believe will help meet our goals and contribute to resolving some of the outstanding problems in this critical region.

Security assistance is an integral part of the United States—Greek relationship. It demonstrates continuing American support for a traditional close friend and our commitment to a strong mutually beneficial bilateral relationship. As members are aware, we are currently negotiating with the GOG a new Defense and Economic Cooperation Agreement to modernize and define our security relationship with Greece, including the status of our facilities there. In this context we felt it was inappropriate to increase the level of assistance until our overall security relationship with Greece had been determined. However, the Greek Government has been informed

that, in the context of an agreement, the United States will seek increased levels of defense support above the level in the current program.

U.S. assistance is also intended to improve NATO defense capacity. Although Greece in recent years has made substantial progress in modernizing its military equipment, using significant U.S. assistance as well as its own resources, further U.S. assistance is needed to continue the process. I would note that Greece's importance is reflected in the administration's proposal which makes it the sixth largest recipient in our fiscal year 1984 program.

There are significant changes in our fiscal year 1984 Turkish assistance program. Reflecting continued strong recovery of the Turkish economy, the past high level of economic assistance decreases. At the same time, military assistance increases by a substantial amount. It is aimed principally at modernizing the Turkish armed forces which suffer from serious equipment obsolescence and would have difficulty in confronting a Warsaw Pact threat. This Administration and previous administrations have for a number of years urged the Congress to take action on the urgent task of modernizing the equipment inventory of the Turkish armed forces to meet minimum NATO standards and force goals. The administration's fiscal year 1984 proposal reflects our strong conviction that prompt measures to modernize the Turkish armed forces can no longer be delayed.

Turkey's military government has been in power two and one half years and has restored law and order, curbed political violence, bolstered public confidence and continued an impressive economic recovery program. While the effort to eliminate the terrorism which wracked Turkey before September 1980 inevitably produced limitations on political freedoms and some abuses of human rights, we think the military government by and large has observed the rule of law. Equally important, it has adhered to its timetable for returning power to civilian authority, a process which will culminate this fall with parliamentary elections and installation of a representative democratic government established under the recently approved Constitution which was overwhelmingly endorsed by more than 90 percent of Turkey's voters.

The significant reduction in economic support funds reflects the substantial progress Turkey has made under its stringent economic stabilization program. While Turkey still faces long term economic problems, its strong performance over the past 2 years should enable it to begin to return to private capital markets, thus reducing dependence on the need for balance-of-payments support from other governments.

Concerning Cyprus, this administration has from its very first days placed a high priority on the achievement of a just settlement. We are committed to that goal, for as long as Cyprus is divided and its status uncertain, it constitutes a humanitarian issue and it also remains a serious barrier to good relations between Greece and Turkey. In support of our commitment to achieving a Cyprus settlement, the administration has made extensive efforts to encourage realistic and meaningful negotiations between the parties which are being conducted under the auspices of the U.N. Secretary General. The Secretary of State has appointed a Special Cyprus Coordinator who is responsible for orchestrating our activities with the parties in support of the U.N. talks. Unfortunately, despite these efforts, the talks have so far produced no dramatic breakthrough. However, there has been progress in narrowing the differences and we are hopeful that further gains can be made in the months ahead.

For Greece, we would continue the level of FMS funds at last year's level—that is, $280 million—for the purchase of equipment, spare parts and ammunition; and also propose $1.7 million in international military education training (IMET) to improve managerial and technical expertise. Again, it is important to note that in the context of a new base agreement we are prepared to return to the Congress to ask for additional assistance for Greece.

For Turkey, our request is for $755 million in military assistance ($230 million in MAP and $525 million in FMS guarantees), $175 million in economic support funds and $4 million in international military education training. Turkey's armed forces are the second largest in NATO and consume over 17 percent of the government budget. But because Turkey does not enjoy the wealth and industrial capability of most other NATO countries, we and other allies must help fill the gap. Some of our assistance will continue to provide maintenance and support of equipment for which spare parts are no longer in the U.S. military inventory, and to replace that equipment with newer but still outdated equipment. Some will be used for procurement of new equipment for naval modernization and for a first tranche of modern fighter aircraft for future delivery. While our request falls short of meeting all of Turkey's urgent military equipment needs, it will begin the task of helping Turkey meet NATO commitments contributing directly to our own defense.

For Cyprus, we propose $3 million in ESF grant authority to be applied to the existing university scholarship program. The program is presently fully funded to bring 150 Cypriots from both communities to the United States for their studies. There are no universities in Cyprus and our program, therefore, provides an opportunity, and often an alternative to study in the Eastern bloc, for young Cypriots.

The provision of security assistance to Greece and Turkey is consistent with our policy of encouraging these two countries to fund a peaceful resolution of their differences, and with U.S. support for efforts to solve the Cyprus problem.

Senator LUGAR. Thank you very much, Secretary Burt.

I apologize for the need to call a 5-minute recess, but we have a vote on the Senate floor. It promises to be an active afternoon. So, with the forebearance of our witnesses and those of you who are a part of this, I will recess for 5 minutes and then commence with Secretary Perle.

[Whereupon, a brief recess was taken.]

Senator LUGAR. The hearing will come to order. We will now hear from Hon. Richard Perle, Assistant Secretary for International Security Policy, Department of Defense.

STATEMENT OF HON. RICHARD N. PERLE, ASSISTANT SECRETARY FOR INTERNATIONAL SECURITY POLICY, DEPARTMENT OF DEFENSE

Mr. PERLE. Thank you very much, Mr. Chairman.

With your permission, I would like to make my written statement a part of the record.

Senator LUGAR. Without objection, it will be made a part of the record.

Mr. PERLE. My colleague, Mr. Burt, states so well what I would have said had he not spoken first that I will spare the committee the repetition of voicing once again what he has said. I would like therefore to make only one or two very brief points.

As the committee knows, most of the money that is requested in this program for four of our NATO allies, all on the southern flank of NATO, takes the form of credits with which these countries will purchase military equipment in the United States. They are obliged under regulations to pay full market rates of interest.

There is some money here for grant assistance where it is absolutely necessary because the economies of the countries involved would not support the level of borrowing that would otherwise be necessary, but in the main, the cost to the United States is minimal, and because the funds are used for the acquisition of modern equipment which, when taken together with the human resources of the armies, navies, and air forces of those countries, add significantly to the capability of the NATO alliance, we believe this program, modest in scale, is an extraordinarily efficient one in terms of acquiring allied defense capability for a small investment.

Because the total program is small, and because the needs in each of these countries are large, this is a program that does not sustain cuts gracefully, although it is almost always subjected to them. I would make a special appeal to you in this year which follows upon many years in which it was not possible to realize the levels of assistance we believe necessary to support this modest request.

All of the allies in question by accident of geography occupy the bit of real estate quite near the Soviet Union and rather far away

from the United States. As a consequence, our ability to fight alongside them in the event of a conflict in Europe and in particular a conflict on the southern flank requires that we be in a position to reinforce them and work closely with them.

We can do that in part because we have concluded with three of the allies who participate in this program, Portugal, Spain, and Turkey, agreements in which invaluable facilities are made available for the purposes of common defense. With respect to the fourth good ally, Greece, there is now negotiation under way which we are hopeful will produce a similar agreement.

The ability of the armies of these countries to fight alongside ours and their air forces to fight alongside ours and their navies to join with ours all depend upon the modernization of those forces, and it is for the purpose of that modernization that these funds would be made available.

In every case, Portugal, Spain, Greece, and Turkey, there are serious deficiencies in the order of battle of the armed services of those countries, and this is true despite the steady and unrelenting growth of Soviet military power facing these allies both from the land and the air, and more recently and more significantly, at sea.

So, I cannot stress too strongly the high leverage that we obtain from the relatively small investment and the importance of the relatively small investment and the importance of the resulting forces that they are able to maintain for the defense of the western aliance as a whole.

In the case of Turkey, and I single Turkey out because we have proposed a significant increase in funds for Turkey, I think this committee has every right to question why it is we should come in with such a significant increase: In the case of Turkey, we have an ally with vital NATO missions that faces the wholesale obsolescence of the equipment on which its armed forces are based.

This is true of the air force, the army, and the navy. And the extent of this obsolescence and the resulting impact on the ability of Turkey to carry out its vital NATO mission is so severe, Mr. Chairman, that I have requested the opportunity to describe it in more detail in closed session. The obsolescence of the equipment of the Turkish forces has reached the point where its discussion in an open session could only give aid and comfort to the Soviet Union, and would even compromise secrets of an unusual kind.

It is not that we wish to keep the strength of this ally from the Soviets. It is that their military weaknesses are in their view and ours an unhappy national secret. So, we will have an opportunity in closed session to go into that in further detail.

I am optimistic that with a program like the one we have brought to you in which the levels we have proposed are far less than we could have justified in any of these cases, but with approval of this program we would have made a significant step forward in attempting to correct these deficiencies.

One need only reflect for a moment on the importance of one of the Turkish NATO missions, that is, keeping the Turkish Straits closed so that the Soviet Black Sea fleet is unable to engage the U.S. Navy freely in the Mediterranean, to realize how intimately their ability to carry out their NATO mission is associated with

our ability to survive in the event of a conventional conflict in Europe.

With your permission, I will conclude there rather than repeat the very important points that Rick made.

[Mr. Perle's prepared statement follows:]

PREPARED STATEMENT OF HON. RICHARD N. PERLE

Mr. Chairman, I have the honor to come before the subcommittee today to discuss security assistance for four of our allies on NATO's southern flank Spain (NATO's newest member), Portugal, Greece, and Turkey. Each of these countries has important strategic missions to perform, but fulfillment of these roles cannot be financed through national resources alone. These allies look to the United States for assistance to augment their own contributions to Western security. Such assistance is among the most prudent—most efficient—forms of national defense expenditures. As such, it contributes substantially to U.S. national security interests and to world peace.

Perhaps because such assistance often is loosely termed "foreign aid," which implies a giveaway, security assistance seldom is recognized for the invaluable strategic investment that it is. Most of the security assistance we provide is in the form of guarantees for loans at market rates of interest, which loans finance purchases of U.S. goods and services. The cost to the U.S. Government of security assistance is much less than the bald numbers suggest.

The dividends our security assistance program yields come in several forms. First of all, there are the efficiencies effected in our defense plans; security assistance commonly finances developments and missions that are valuable to the United States and that the recipient country can bring about or perform much less expensively than we could. Secondly, there is the flexibility that our security assistance affords us; helping our friends and allies to acquire the means of defending themselves makes possible the performance of certain important regional tasks that would remain undone altogether if the recipient country did not perform them itself. And third, there is the crucial strategic cooperation—regarding, for example, base or facility rights and intelligence sharing—for which security assistance lays the groundwork. There are few other programs that provide as much return for our investment. What we are proposing is minimal in light of the deficiencies that need to be addressed. When we fail to fund security assistance at appropriate levels, the putative "savings" are more than offset by the increased amounts needed for our own defense budget.

I would like to turn now to the specific proposals to assist our southern-flank NATO allies.

The administration is proposing $400 million in credits for Spain, the same amount authorized for Spain for fiscal year 1983. These credits, which will help our Spanish allies take steps to modernize their armed forces, are an element of importance in the overall U.S.-Spanish security relationship, of which the recently-concluded U.S. base rights agreement is also part. That agreement is awaiting ratification by Spain's parliament. It was signed in July 1982, the same month Spain acceded to the North Atlantic Treaty. The path is now open for Spain's integration into the NATO command structure which would allow for joint planning in peacetime and close cooperation in time of war. The Reagan administration is working to enhance our security relationship with the Spanish Socialist Party Government, which won the national elections last October. In the course of arranging for our use of several valuable bases in Spain. The United States Government pledged its best efforts to help Spain obtain credits needed to purchase U.S. military goods and services. Through the present proposal, we aim to fulfill that pledge.

Our aid request for Portugal for fiscal year 1984 has the same total as in the current fiscal year. As the subcommittee knows, Portugal has stood by the United States in times of crisis with singular steadfastness. Portugal is an important NATO ally. It shares our commitment to the defense of Western security and has made available the strategically located airfield to Lajes in the Azores. Lajes remains an especially valuable facility for use in a wide variety of contingencies. The defense cooperation agreement under which we have been using Lajes just expired in February 1983. Negotiations to extend that agreement began last April but were interrupted in December after Portugal's governing coalition fell. Elections are scheduled for April 25 and we anticipate that soon thereafter our base right extension negotiations will resume and culminate in a new agreement providing for continued U.S. access to Portuguese facilities. The security assistance we provide Portugal, which

has great need of such assistance, will demonstrate that the United States recognizes and appreciates the value it derives from the U.S.-Portuguese relationship. The specific high-priority projects that U.S. security assistance will help Portugal to carry out, with the assistance of other allies, are (1) acquisition of a second A-7P squadron, (2) construction of three modern frigates, and (3) acquisition and conversion of 43 tanks to the M48A5 configuration. By providing this assistance, and smoothing the way toward conclusion of a new base rights accord with Portugal, the United States will have significantly enhanced the ability of our Armed Forces and NATO forces generally to conduct a number of essential military missions, including rapid long-range airlift from the United States to Europe and beyond.

The administration's security assistance proposals also affect the delicate base negotiations between the United States Government and the Papandreou government in Greece. The future of the U.S.-Greek security relationship hinges to a large extent on the successful completion of those negotiations. Be assured that this administration, which prizes enormously our country's deeply-rooted amity and long history of cooperation with Greece, will continue to work intensely, creatively, and altogether constructively to make those negotiations a success. The benefits of U.S.-Greek security cooperation to both parties, to NATO and for stability in the Aegean are large and evidently impressive enough in Athens as well as in Washington to give us reason to expect a new base agreement in the near future. In this regard, it is difficult to overstate the importance of close collaboration between the Congress and the administration.

Though the administration now is requesting $280 million in military assistance for Greece for fiscal year 1984, Greece's security requirements could justify an increase above that level. Though the Greek economy is strong compared to other nations in the area, Greece lacks the resources to maintain its aging equipment in a reasonable state of readiness while also modernizing its forces.

For reasons that are undoubtedly apparent to the subcommittee, the administration finds it necessary to defer any such increase until the base negotiations are concluded. The base arrangements and the assistance levels are all part of the general U.S.-Greek security relationship. We all want that relationship to produce greater mutual benefits and so it is crucial that the various elements of the relationship advance in proper sequence. Our friends in the Greek Government understand our position and, I believe, respect it, for it represents our best hope of rallying support within both the Greek and American political arenas for a more harmonious and fruitful U.S.-Greek relationship.

Lastly, I would like to discuss Turkey, which is clearly in great need of our help, and which has unique geostrategic importance. Turkey anchors the critical southeastern flank of NATO, and is charged with the critical mission of keeping the Soviet Fleet bottled up, which otherwise could tip the military balance in the Mediterranean. Turkey also abuts potential lines of Soviet advance through Northwestern Iran towards the Persian Gulf. The Soviets have massive forces deployed in the Transcaucasus, posing a threat of intimidation or potential aggression in the area, which Turkish forces are ill-equipped to deter or thwart.

It should be noted that the Warsaw Pact forces facing Turkey have been steadily modernized despite a deterioration in Turkish capability. This dangerous situation can be corrected with our help and that of other allies, such as the German Federal Republic which is doing a great deal, and we hope will do more in the future. Turkey has the largest standing military force of any NATO ally, but needs to modernize its forces to capitalize upon the human resources Turkey is dedicating to the alliance. Turkey desperately needs our help. I say help because some forget Turkey's outstanding record in bearing the burden of defense. Turkey has the highest real increase in defense spending over the last 10 years of any NATO nation (105 percent).

Turkey is making a valiant effort to keep equipment operational. However, almost all major items are obsolete. This includes not only weapons systems such as tanks, ships and aircraft but communications and support equipment as well. In the Army almost all tanks are 90mm with limited effectiveness and gas-powered with short range. Only 1 percent of critical anti-tank weapons are modern, 89 percent of short-range air defense weapons are 1940 vintage or earlier and 93 percent of FM radios are unsupportable. In the Navy all destroyers are ex-U.S. World Ware II ships and 75 percent of submarines are over 35 years old and at the end of their operational usefulness. In the Air Force 70 percent of fighter aircraft are pre-1970 vintage, and there is no modern ground air defense for bases. This obsolete equipment not only reduces combat effectiveness but also increases operations and maintenance costs.

Our proposed program was devised with many considerations in mind, including the importance of stability in the Aegean. It will accomplish several things which are of direct benefit to the United States. We will assist Turkey in implementing agreed NATO force goals and thus enhance their ability to perform their NATO missions. A strengthened Turkey would be increased deterrent to possible Soviet expansion into the Middle East and Southwest Asia. Improvements in Turkey's air defense capability help protect the U.S. Sixth Fleet in the eastern Mediterranean. Lastly, the program will result in the purchase of a new fighter aircraft and other equipment from the United States.

I would like to be able to conclude by stating that, if Congress approves our whole security assistance proposal, all of the recipient countries will be able to fulfill their NATO goals. Unfortunately, I cannot conclude that way because it is not so. Even if all of these proposals are approved, critical force deficiencies will still exist in NATO's southern flank. We have proposed only what we had reasonable hope of obtaining. Our program is sinew and bone. We respectfully urge that it not be cut.

Senator LUGAR. Thank you very much, Secretary Perle.

We have been joined by Senators Mathias and Sarbanes. Earlier on, Senator Sarbanes, I suggested that we hear the opening statement summaries of testimony submitted by the three witnesses in the first panel and then retire in executive session for a short display that Secretary Perle has indicated is a part of the testimony he would like to present. We will then resume public session for questioning of these witnesses, and thereupon proceed to listen to the second panel of witnesses. The Chair would like to welcome Senator Tsongas. Would you prefer to get to questioning prior to the presentation of Secretary Perle?

Senator SARBANES. We could get the public part of it over.

Senator TSONGAS. How long is the presentation?

Mr. PERLE. Very brief. I should not think it would take more than 10 minutes.

Senator LUGAR. Well, the Chair wants to entertain whatever would be to the convenience of the members. I suspect that Secretary Perle wanted to present this as a part of his testimony. He has indicated that it would be inappropriate to do so in public session.

Senator TSONGAS. If it is only 10 minutes, I do not see a problem.

Senator LUGAR. All right. We will proceed, as suggested earlier.

Will you please now testify, Mr. Misheloff?

STATEMENT OF RUSSELL MISHELOFF, DIRECTOR, OFFICE OF EUROPEAN AFFAIRS, BUREAU FOR NEAR EAST, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. MISHELOFF. Thank you, Mr. Chairman.

I too have submitted a statement for the record.

Senator LUGAR. It will be included in full without objection.

Mr. MISHELOFF. I would be pleased to answer questions. I have no oral comments to make to supplement the written statement.

[Mr. Misheloff's prepared statement follows:]

PREPARED STATEMENT OF RUSSELL MISHELOFF

Mr. Chairman and Members of the Committee:

I am pleased to be here today to support the President's request for economic assistance for countries in Europe. The President is requesting $230 million in economic support funds (ESF) for Turkey, Greece, Cyprus, Spain and Portugal.

TURKEY

We are requesting $175 million to continue support of Turkey's economic stabilization program. We plan to provide the assistance in the form of a $100 million

grant and $75 million loan, repayable in 20 years with a 5-year grace period on repayment of principal and 5 percent interest throughout. We expected other OECD donors and Arab nations to provide assistance as well. The Turkish government continues to show political courage in implementing its comprehensive and well-conceived economic reform program. It still needs and deserves the support of its allies and friends. We will do what we can to encourage this support.

The Turkish Government put into place a well-conceived and far-reaching economic reform program in January 1980. Its major features have remained intact and include the maintenance of a realistic foreign exchange rate; elimination of government subsidies to cover operating losses of most State Economic Enterprises; fiscal, monetary and wage restraint; elimination of most price and interest rate controls; and liberalization of the foreign investment regime.

Turkey's performance through 1982 provides strong evidence that the new policies have taken hold. Wholesale prices, which doubled in 1980, increased by only 25 percent in 1981 and probably by only 23 percent for 1982. GNP has maintained a constant annual real growth rate of 4.5 percent for the past 2 years compared to absolute declines in 1979 and 1980. Exports surged in 1981 and were up an additional 15–25 percent in 1982. This coupled with a leveling off in payments for imports led to further improvement in the trade balance. The current account deficit declined from about $3.2 billion in 1980 to $2.1 billion in 1981 and will probably be about half that in 1982.

Turkish dependence on concessional assistance is not as great as it has been in recent years. Our fiscal year 1984 budget request reflects this fact. In our view it would be a mistake to reduce economic assistance further. Turkey is entering a critical period when interest and principal obligations on outstanding debt will rise as the relief provided by recent debt reschedulings diminishes. Balance of payments deficits on current account are likely for the next few years. Although the likely levels are smaller than those of recent years, there is still considerable doubt that the private commercial market will provide all of the financing necessary.

PORTUGAL

We are requesting $40 million in fiscal year 1984 under the Economic Support Fund for Portugal. The United States and Portugal have initiated discussions concerning a new security cooperation agreement. We anticipate that a cash transfer in the amount of $40 million will be required in fiscal year 1984 in connection with the new understanding. As in the past, the Government of Portugal is very likely to use the transfer to advance the economic and social development of the Azores and might also allocate a small amount to establish a Luso-American Development Foundation whose purpose will be to sustain technical cooperation and exchange between our two countries.

The Committee may be interested to learn that the earlier technical assistance and earthquake reconstruction efforts are largely completed and the USAID staff is being phased down to only one AID officer by the end of fiscal year 1983. Since 1975 AID has helped in the resettlement of refugees from Africa, provided loans for social infrastructure (particularly schools and rural health centers), and made a $300 million loan to Portugal for economic stabilization as part of a highly successfully multilateral stabilization program. AID has also provided housing guarantees to address the critical housing shortage and helped with reconstruction following the 1980 earthquake in the Azores.

SPAIN

In fiscal year 1984 we are requesting $12 million in Economic Support Funds to continue the scientific and cultural exchange programs pursuant to the Agreement on Friendship, Defense and Coooperation signed July 2, 1982. These programs are administered by the State Department's Bureau of Oceans and International Environmental and Scientific Affairs and by the United States Information Agency, respectively.

CYPRUS

In fiscal year 1984 we are requesting $3 million in grants under the Economic Support Fund for the scholarship program. The program began in fiscal year 1982 after lengthy negotiations with the planning officials in both Cypriot communities. The program is administered jointly by American-Mideast Educational and Training Services and the Fulbright Commission. The first group of Students entered U.S. in-

stitutions in the fall of 1982 and selection and placement is currently underway for the next group for the fall of 1983.

No funding is requested for the United Nations High Commission for Refugees since the objectives of the programs administered by this Agency have been achieved.

Thank you Mr. Chairman, I would be pleased to answer any questions you and members of the Committee may have.

Attachment.

EUROPE PROGRAM SUMMARY

[In millions of dollars]

	Fiscal year 1982 actual	Fiscal year 1983 estimated	Fiscal year 1984 proposed
Europe:			
Cyprus, ESF	15.0	[1] 15.0	3.0
Poland, ESF	5.0		
Portugal, ESF	20.0	20.0	40.0
Turkey, ESF	300.0	[2] 300.0	175.0
Spain, ESF	22.0	12.0	12.0
Total, ESF	362.0	347.0	230.0

[1] Includes $10 million supplemental request.
[2] Includes $55 million supplemental request.

Senator LUGAR. Thank you very much.

At this point, the Chair will entertain a motion to proceed into executive session. We will hear the remainder of Secretary Perle's testimony, and then resume the public session. Is there a second to the motion?

Senator TSONGAS. [Nods affirmatively.]

Senator LUGAR. We will move into executive session. It should be about a 10-minute period of time. Then we will proceed back to public questioning.

[Whereupon, a brief recess was taken for an executive session.]

Senator LUGAR. The hearing will resume in public session.

The first panel will now be questioned by the Senators. The Chair would like to recognize Senator Mathias for any questions he might have of the panel this afternoon.

Senator MATHIAS. I have no questions at this time.

Senator LUGAR. The Chair will now recognize Senator Sarbanes.

Senator SARBANES. I will come back.

Senator LUGAR. Senator Tsongas.

Senator TSONGAS. Is there some reason why people object to inquiring of the witnesses? Have you already inquired?

All right. Let us talk about the issue of the violence that caused 80,000 Greeks to come out to a rally, which I think is 10 times the number of people who went to the rally yesterday to support the nuclear freeze. So, clearly, it is a significant number of people.

As I understand it from previous sessions we have had, the strategy is very simple, that is, you negotiate the basic agreement and then you bring the Greek numbers up so you achieve something close to the 7 to 10 ratio. There are many people who believe, why not simply come in at that ratio in the first place, rather than to set in motion that kind of resentment that in essence what you are dealing with is blackmail. There must have been discussions inside about that kind of concern. Could you tell us what those discus-

sions might have been, and why you ended up with the strategy of coming in low and using that as a leverage to get them to negotiate?

Mr. BURT. Senator, it is not too difficult to answer your question. I do not think there ever was any real discussion about simply automatically or mechanistically meeting the 7 to 10 ratio.

First of all, as you know we do not accept that ratio as a matter of principle. It is not a good mechanism or concept for making security assistance or foreign policy decisions in the area. The 7 to 10 ratio is a ratio in terms of security assistance amounts. It does not tell you anything about the military balance. It does not tell you what Turkey purchases commercially, or what Greece purchases commercially. It does not tell you anything about the changing missions of the two countries.

So, we do not base our decisions from year-to-year on 7 to 10.

Now, that said, I think we have had experience year after year with going to the Hill, and we recognize that there are Members of the Congress who do place some importance on the 7 to 10 ratio, that it does have some political symbolism. But we made the decision first and foremost of our amounts this year on the military requirements of the two sides, the economic circumstances of the two sides.

This very special situation we are in right now, which is, we have a negotiator in Athens right now who is in the process of negotiating a new base agreement, and we believe it is very much in the interest of the United States and also very much in the interest of Greece that we achieve an acceptable base agreement, and we are working very hard to do that.

Quite honestly, we think the approach that we have come up with, as I said in my initial remarks, the recognition on our part that in the context of an acceptable base agreement we may have to come forward with an additional request, we believe that approach is the most effective way to bolster our opportunities for getting an agreement.

It would not make sense in our view, in the midst of a negotiation, to come forward with additional amounts. It certainly would not enhance the negotiating process, and what we want, I believe, is the same thing most Members of Congress want, and that is a good agreement.

Senator TSONGAS. Is it your judgment and that of the negotiator that this is helping the negotiations?

Mr. BURT. I recently talked to our negotiator who left for the most recent round last weekend, and he, I think, saw members of this committee. I do not know whether he happened to visit you, but he believes very strongly that this is the best approach to pursue in achieving a good agreement, and so does our ambassador in Athens.

Senator TSONGAS. Obviously, we must find out. But I must say I am just trying to put myself in the shoes of any government that has 80,000 people demonstrating against blackmail, whether you have any breathing room under those circumstances to really negotiate. Whether negotiations in arriving at an agreement looks like capitulation to pressure.

It strikes me as just not credible that pressure of this kind is productive. I think it is counterproductive. Your people arrived at exactly the opposite conclusion. I guess we will have to wait and see.

Mr. BURT. Senator, no one is exerting pressure. We are requesting precisely the same amount of money we requested last year in the case of Greece. We are not suggesting that we should cut that amount or have no money in the budget.

We recognize, as is usually the case in any DECA negotiation, that an agreement could involve additional amounts of money. From a negotiating standpoint we do not think it enhances our leverage or enhances the prospects for getting an acceptable agreement to signal what you might be prepared to do in the absence of some progress in the negotiations themselves.

Senator TSONGAS. It is pretty obvious that I will not convince you and you are not about to convince me, so let's change the subject. let me deal with Turkey for a moment, Mr. Perle, if I might. Part of the rationale that is used in public discussions as well as private is the capability of NATO allies. Are there, in these discussions, the inclusion of some kind of argument that it would be in the interest of NATO's sourthern flank to resolve the Cyprus question as well? Is that issue raised when you deal with the Turkish counterparts? If so, what reactions are we getting these days?

The argument used to be when they went from one government to the other, from Ecevit to Demerel, no one had a majority. finally, the majority took over and that was going to be the entree to real negotiations. But I know of no one who is optimistic about what is happening over there. I am sorry.

Mr. PERLE. Senator Tsongas, we have a division of responsibility within the Government. My colleagues in the Department of State are in—I will not say continuous, but they are certainly in a dialog with Turkish Government officials. I know from my own experience in talking to the Turks about defense matters that they are very much aware that it would ease the situation if there were a resolution of the conflict over Cyprus. But Rick could tell you more about discussions that are basically carried on between our diplomats and theirs.

Senator TSONGAS. You have certainly gone out on a limb to support Turkish aid and I wondered if there was any quid pro quo that you have exacted from them or that you have discussed with them in terms of some flexibility vis-a-vis the one issue that really does act as an irritant between the two countries—Cyprus.

Mr. BURT. I think, Senator, there are a number of issues that are irritants between Greece and Turkey, and I am not sure I would put Cyprus at the top of the list. There are several issues concerning the Aegean air space and so forth, and they are all very important issues and they are all very intractable issues.

The question you are raising is whether or not, through the grant of economic and security assistance, we can fine-tune Turkish foreign policy, and on an issue that is of great importance and is followed very closely not only by the Turkish Government but by Turkish public opinion. I do not need to rehearse for you the very strong feeling that Greeks and Turks, as well as Greek and Turkish Cypriots have on this question.

Just as you were suggesting a few minutes ago in terms of our discussion on negotiating strategy with Greece, I am not going to convince you that our negotiating strategy is correct. I think it is very difficult for us to convince the Turkish Government or people that our point of view is correct. Certainly, using that kind of leverage or that kind of pressure, to use your word, is, I do not think, very productive. In fact, I believe it can be very counterproductive.

There is excellent evidence of that. In the case of the Turkish arms embargo, it was tried. It was tried and it failed. I think the U.S. Congress recognized it failed when it finally, during the Carter administration, lifted that embargo.

Now, that is not to say that we are uninterested in a solution to the problem of Cyprus. We are working very hard on that problem, but one thing I think should be clear is the resolution of the Cyprus problem is not just a U.S. responsibility; it is the responsibility, I think, of all interested countries. Right now, the major actor in the diplomacy working to resolve that problem is the United Nations. There is an effort through the intercommunal talks to make some progress.

As you may know, there have been some recent elections in Cyprus. We knew prior to those elections it was very unlikely those talks would make much progress. Now, there is the possibility that they will. The Secretary of State has selected a special representative for the Cyprus question. He is in touch with the U.N. officials involved in the intercommunal talks. He has recently visited Cyprus and has also had consultations with Greece and Turkey, and we will stay in very close touch there and hope that some progress can be made.

But it is a difficult problem, and I think as other difficult regional disputes, we should not expect that it can be solved through one simple, unilateral American action.

Senator TSONGAS. Let me say in conclusion that the only thing that was as equally unsuccessful as the embargo was the lifting of the embargo. There was as much progress under the first as the second, which is no progress.

The perception of the asymmetry of the position, that we take a position and we cannot pressure the Turks via aid on Cyprus but we can pressure the Greeks via aid on that basis. So that asymmetry which causes 80,000 people to come out into the street is a prominent thing that must be dealt with. Thank you, Mr. Chairman.

Senator LUGAR. Thank you very much. The Chair would belatedly like to ask if there is general agreement that we should have 10 minutes of questioning and keep rotating.

Senator TSONGAS. I object.

Senator LUGAR. Thank you for cooperating with the program, even before it was announced. [Laughter.]

Senator Sarbanes?

Senator SARBANES. I am interested to know from both Mr. Perle and Mr. Burt whether they think the question of a balance of power between Turkey and Greece is important.

Mr. PERLE. I think there are two ways, Senator Sarbanes, to answer that. One is to answer it from the point of view of a disin-

terested observer, and the other is to answer it taking account of the situation existing between Turkey and Greece.

As a disinterested observer, I do not see signs that Turkey is anxious to have a military conflict with Greece, or that Greece is anxious to have a military conflict with Turkey. But there is uneasiness between them, and in those circumstances the balance is a source of stability, and I think stability is what we all want to see in the region.

Senator SARBANES. You are quoted in a report in Ankara on a conference held here in Washington, the Turkey and NATO seminar sponsored by the American Friends of Turkey Association at which you were a speaker, along with the Turkish Ambassador and former NATO Commander Lemnitzer, and I am now quoting the report:

> Perle said the Reagan administration did not believe in the balance of power between Turkey and Greece, adding that the 7 to 10 ratio was advocated and approved by the Congress. Our administration had nothing to do with such a ratio.

Do you think the ratio of American assistance to those two countries, since that obviously will have an impact on their capabilities vis-a-vis one another, is irrelevant or does not matter?

Mr. PERLE. No, first, let me correct the quotation. I did not say that we do not believe in a balance. I did say that it is the position of this administration that an arbitrary ratio, 7 to 10 in this case—although I do not know the history of it; I do not know why it was not 8 to 10 or 6 to 10 or 9 to 11. But in any case, arbitrary ratios are a very poor means of adducing stability or balance in military terms between any two countries. In this case, they are no guide at all to the military balance between Greece and Turkey.

Senator SARBANES. What do you think the ratio ought to be?

Mr. PERLE. I think our assistance to both countries ought to be based on the requirements they have in relation to their own efforts to meet their NATO obligations.

Senator SARBANES. Suppose you define their NATO obligations in such a way that it results in giving an enormous level of assistance to one country and a far smaller level of assistance to the other, so as to alter the balance between them. Does that not introduce instability into the area and heighten the chances of a conflict between Greece and Turkey?

Let me ask you this question. Do you dismiss the necessity to concern yourself about the possibility of a conflict between Greece and Turkey?

Mr. PERLE. I think it unlikely that as long as there is balance there will be a conflict between Greece and Turkey. I would certainly hope there would not be a conflict between Greece and Turkey.

Senator SARBANES. But you think the balance is necessary to preclude the likelihood of that conflict taking place; is that right?

Mr. PERLE. Conflicts take place under two circumstances; where there is an imbalance and where there is an aggressive intent on the part of the stronger of the two powers, generally speaking. I have not discerned that in Turkey, I must tell you candidly. I understand that there are great Greek apprehensions. I cannot find an evidentiary basis for those fears.

Senator SARBANES. How many Turkish troops are on Cyprus today?

Mr. PERLE. I cannot offhand give you the number of Turkish troops on Cyprus.

Senator SARBANES. Does Mr. Burt know?

Mr. BURT. I think a rough estimate is about 20,000.

Senator SARBANES. Are you concerned, Mr. Perle, by the overflight problems in the Aegean?

Mr. PERLE. I am very much concerned about the overflight problem in the Aegean. As a consequence of the dispute over overflights, we have now had the cancellation of two, and possibly three, NATO exercises in the region with the result that NATO exercises have virtually come to a halt on a terribly important NATO flank. I fervently hope that this matter will be resolved. It is an enormously complex matter, as I know you know.

Senator SARBANES. While you are maintaining the Greek military assistance under the security assistance programs at the figure in the continuing resolution for fiscal year 1983, as I understand it you are almost doubling the Turkish figure. Is that right?

Mr. PERLE. It is less than double, but it is a significant increase.

Senator SARBANES. From what to what? Why don't we get specific?

Mr. PERLE. From $400 million to $755 million.

Senator SARBANES. From $400 million to $755 million. So the ratio between the two countries is approaching between 2½ and 3 to 1. Is that correct?

Mr. PERLE. That is correct, in the current proposal.

Senator SARBANES. I understand that your justification is the necessity of refurbishing the Turkish military as part of an implementation of a 5-year program. Is that correct?

Mr. PERLE. It will take longer than 5 years to carry out a modernization of Turkish forces that will enable them to fulfill their NATO missions.

Senator SARBANES. What would you anticipate the figure necessary in the next fiscal year after this one with respect to Turkey?

Mr. PERLE. Do you mean what proposal would we make to the Congress?

Senator SARBANES. You have had discussions with the Turks and, I take it, evolved a plan for the refurbishing of their military. What will that lead to as the next step?

Mr. PERLE. You are a step ahead of us. We have said to the Turks that we are most concerned that in their modernization they proceed in a manner that makes maximum efficient use of the funds available. We have, therefore, asked them to reflect upon their long-term requirements over several years, a multiyear program. The levels we will be able to make available to them have not yet been decided, nor has the program as a whole been decided. But we have been encouraging them to think beyond a single year in terms of the overall integration of assistance to air, land and naval forces.

Senator SARBANES. There are reports that to accomplish this refurbishing, and in the course of those discussions and planning, you anticipate subsequent step jumps with respect to the Turkish military package in subsequent years.

Mr. PERLE. There is no question that the Turkish requirements over the next several years will be significantly larger than our capacity to persuade the Congress that funds of that scale ought to be spent.

We do expect to come back next year and in years thereafter with requests that will reflect urgent modernization. The request you see this year is an indication of what we think is a sensible beginning.

Senator SARBANES. A beginning, but you would expect the requests in subsequent years to exceed the $755 million that you requested this year; is that correct?

Mr. PERLE. The needs will certainly exceed that. What we request, obviously, Senator, will depend upon a number of factors, including the other claimants because there are many, the state of the economy, and how well we expect to do in persuading you and the like.

Senator SARBANES. For your planning purposes and in line with your efforts with the Turks to get them to think in multiyear terms, as I understood you earlier said you were trying to do, are the figures projected for those purposes in years subsequent to fiscal 1984 larger than this figure? My understanding is they continue to step up in subsequent years.

Mr. PERLE. I would expect the figures to be larger, if only to reflect inflation, but there is no figure that I could expose to you.

Senator SARBANES. How can you ask the Turks to plan in multiyear terms if you do not have some working figures around which to focus the planning?

Mr. PERLE. In the long run, you cannot conclude a plan without working figures. We just have not arrived yet at the points where we are able to.

Senator SARBANES. Do the Turks have some working figures in their own mind, even though you do not?

Mr. PERLE. They have a tendency to assume continuation at the previous year's levels.

Senator SARBANES. Or higher? Is the assumption that you are going to ask for $755 million in subsequent years, or even more than that?

Mr. PERLE. I do not know what assumptions they may be making at this point. We have made it clear to them that we cannot commit to more than a single year.

Senator SARBANES. I understand that.

Mr. PERLE. I am trying to tell you exactly what we have said to the Turks, Senator. I would not withhold from you. We have said to the Turks that the level of the program this year we regard as a base figure that would represent the beginning of a program that will, of necessity, take place over many years, and that we would expect that figure to be regarded as a base figure. So I would expect that there would be increases in subsequent years. As to the extent of those increases, I cannot tell you now because we do not know now.

Senator SARBANES. How much of a discrepancy do you think can develop between what the United States is providing to Turkey to refurbish its military and what it is providing to Greece with re-

spect to its military before you succeed in introducing an element of insecurity into the area? What do you think that ratio is?

Mr. PERLE. I do not think there is.

Senator SARBANES. I gather that you think it is something less than 10 to 7. Is that correct?

Mr. PERLE. I do not think any arbitrary ratio does justice to either the analytical problems or the situations faces by the two countries. For one thing, the amount of our aid is only a fraction of the total resources devoted to defense, and, therefore, varying the ratio in our aid program, in our loan program, would have an effect on the military capabilities of the two countries that might well be dwarfed by other factors such as what they invest from their own sources.

But beyond that, Senator Sarbanes, you have military establishments in the two countries that are very different, that are deployed differently, that have different defense missions and orientations, that have different degrees of modernization already, equipment obsolescence.

The result is that at the moment, the Turkish requirement is very great simply to keep pace, whereas, the Greeks have done rather well in recent years. Since 1974 the Greeks have improved, and the Turks have declined. So what I think we are now seeing is a product of a number of years in which the Greek improvement took place in the face of obsolescence of Turkish forces, and that obsolescence has now reached crisis proportions.

Senator SARBANES. The amount of money they are putting in—have not the Turks been putting more money into their military than the Greeks throughout that period?

Mr. PERLE. The figures I have here for 1982, Senator, show that defense spending in the two countries was essentially the same. It was slightly more in the case of Turkey. In the case of Turkey, however, just to give you an example of why it is difficult to translate expenditure directly into capability, the Turkish army, or the Turkish military total complement of military personnel is close to 770,000. You have a 185,000 number in the case of Greece. The result is that the investment per man in uniform is substantially greater on the Greek side. The result of that is——

Senator SARBANES. That works in one way in terms of creating a feeling of security, and the difference in the numbers works in the other way with respect to security.

I see that my time is up.

Senator BIDEN. Go ahead.

Senator SARBANES. No, I will come back for another round. I want to make this point. Unless you maintain some ratio—and the Congress has come down very strong on the 7 to 10—that carries forward a balance, you are simply opening up the possibility through this analytical exercise of giving enormous amount to one party as compared to the other, ostensibly directed against some other problem, not their relationships one with the other. But obviously, this has implications and an impact upon the relationship of one to the other.

It is another classic example, I think, of the potential for a regional dispute. The United States is providing military assistance to both sides, ostensibly directed toward an outside threat, but car-

rying with it important consequences and dangers for the regional relationship between two countries. It is not unique to this situation, although this may be one of the more sharply drawn.

The other, obviously, relates to a perception of the even-handedness, or the equity, of the American approach, which seems to me something we should be deeply concerned about. I think our objective is to have good relationships with both of these countries and for the two countries to have good relationships one with the other. I have heard no one yet who would argue anything other than that the southeastern flank depends upon having both countries, Greece and Turkey, constructively participating in it. This is not happening now, partly, I think, because of the deep concerns and suspicions vis-a-vis one another.

I will come back on another round.

Senator LUGAR. Thank you very much, Senator Sarbanes.

Senator Biden.

Senator BIDEN. Did you have questions?

Senator LUGAR. I will follow you.

Senator BIDEN. Mr. Perle, can you tell me a little about the additional aid that has been requested. What military mission of the Turkish military is it designed to aid most immediately? Are you able to do that in open session?

Mr. PERLE. Yes; I think in broad terms I could say that the most pressing Turkish requirement—this is their assessment and also our assessment—it to modernize their air force and air defenses. Air defense because they are not now in a position adequately to protect the territorial integrity of their borders with the Soviet Union.

They are flying aircraft that are vintage aircraft. They are difficult to maintain; in some cases it is impossible to find spare parts except by cannibalizing existing aircraft. They, therefore, need to begin on a program of aircraft modernization. They have done so.

The Turks thus far have modernized their air force, principally, by acquiring used aircraft from other NATO allies, and some non-NATO allies. So that is far and away the single most important priority.

They have enormous needs with respect to upgrading the quality of their armor, and there is a conversion program underway to do that. The Turks do not even think in terms of new tanks; they think of upgrading older tanks. They have requirements in the command, control, and communication areas, so that their armies, together with NATO armies in the event of a conflict, could adequately communicate with one another. But it is difficult to know where to stop in answering your question, since the modernization needs cover the whole range of military equipment.

Senator BIDEN. Your answer encompassed those missions that are also coincidentally, as I understand it, NATO missions. Are there any additional concerns that are present today that were not present 2, 3, or 4 years ago?

Mr. PERLE. The Turks, like the rest of NATO, have been faced with a sustained increase in Soviet conventional military capability. There was a time when the only aircraft, for example, that the Turks worried much about were those aircraft based quite close to the Turkish border, of which there are a significant number. With

the introduction of aircraft of increasingly long range by the Soviets, the Backfire, for example, the Turks now have to look at a larger array of the Soviet Air Force as competent to strike targets in Turkey.

Senator BIDEN. As do the Greeks?

Mr. PERLE. As do the Greeks. Indeed, as do we. One result of the steady improvement of Soviet forces is in virtually every dimension, the threat has increased. Old radars are no longer adequate, old aircraft can no longer be expected to provide for an adequate air defense. Tank guns can no longer be expected to penetrate the armor on new Soviet tanks, and so on.

So the Turks, like ourselves, have no alternative but to respond as best they can to the growing capability of their potential enemy.

Senator BIDEN. Do you agree with Secretary Burt's assessment that pressuring the Turks to take action on questions in dispute with the Greeks on the Aegean and/or Cyprus is not a very useful exercise?

Mr. PERLE. I think the history is that these issues are issues which run very deep historically and psychologically. I do not believe they are amenable to the kind of external pressure that, if anything, is likely to produce a hardening of attitudes. I am not one against using pressure when it will be productive, but in this case I find it very difficult to believe that we can persuade the Turks to do something they would otherwise not do by threatening to diminish the Turkish ability to carry out their NATO mission.

If I may say so finally, even if I thought it would be productive to bring pressure to bear on the Turks, the last way I would recommend doing it would be by diminishing the capability of the NATO alliance and, therefore, this country and its other allies to deter the Soviet Union. I would try to find some way not also so painful for us.

Senator BIDEN. That is a fairly compelling argument on its face. I do not want to change this to a hearing on the Middle East, but I wonder, then, why we are pressuring the Israelis in the same way. I see the problem equally as insoluble with a long history of not lending itself to pressure, and you are all suggesting to us that we change the ratio of grant to loan. But that will be another time.

I want to tell you now to be prepared to answer that one for me, if you would. I would like to know how it works one place and not the other, especially since it goes to——

Senator SARBANES. Would you yield?

Senator BIDEN. I would be happy to yield.

Senator SARBANES. The other point, of course, is the sensitivity to using this enormous amount of military assistance going to Turkey to try to bring about some changes on Cyprus, but no reticence about using a comparable pressure on Greece to move them toward a base agreement. You have created this enormous gap, almost 3 to 1 by the request, but you are careful to say in the statements that if there is an agreement then you intend to do something more, although you are not clear how much more.

Mr. BURT. Senator, may I just strongly deny any allegation that we are applying pressure on Greece. I want to strongly support the sentiments you and others on the committee have expressed today

on the importance of a strong United States-Greek security relationship.

We, as I noted, are not advocating any cuts in our request for Greece, and the position we are taking is that it would be somewhat inconsistent to argue that pressure on Greece in the midst of a negotiation by not increasing amounts to Greece is somehow the same as pressure on the Turks by threatening cuts. Those are, obviously, two very different acts.

Senator SARBANES. We do not have to talk about cuts. What you have is an enormous increase; more for Turkey I think than to any other country to whom you are providing military assistance. Is that correct, last year to this year?

Mr. BURT. I can only address European security assistance.

Senator SARBANES. It is certainly true in Europe, is it not?

Mr. BURT. It is true in Europe, yes, but——

Senator SARBANES. We are not talking about cuts; what we are talking about is markedly altering this ratio and the balance and then saying, however, if they will close on a base agreement we are prepared to consider trying to remedy that, although we have not yet gotten out of using the ratio by which you may provide the remedy. I may ask that in the next round.

Mr. BURT. But, Senator, we have negotiated base agreements with countries before. It is a fairly familiar routine. We have just successfully negotiated an agreement with Spain, and as a result of that successful negotiation, we are this year requesting an increase.

Now, I think these governments understand this fact. They understand how these negotiations proceed. They understand that American security assistance funding and increases are a factor in these negotiations. All we want is to make sure that our negotiator has the best possible chance to reach the best possible agreement.

Certainly, going into a negotiation by increasing amounts and not making that a factor which will assure an agreement, I mean, you could guarantee to us that somehow we would achieve our goals in those negotiations by making an increase prior to negotiations in a mechanistic way, I think you would rob our negotiator of the negotiating latitude he needs.

Senator SARBANES. Did you consider straight lining the figures and then addressing the problem with respect to both countries and the balance if and when you close on a base agreement?

Mr. BURT. We did.

Senator SARBANES. But that is not the route you took; you took the route that applies tremendous pressure here.

Mr. BURT. That would be tantamount, though, to making our security relationship with Turkey totally dependent upon the outcome of the United States-Greek negotiation.

Senator SARBANES. Only if you had a indefinite timeframe, not if you operated within a fairly tight timeframe that is applicable to negotiating a base agreement.

It is my own very strongly-held view that what you have done is made it much more difficult to arrive at a conclusion that I think all of us will want to reach, which is to reestablish and strengthen this United States-Greek relationship.

Mr. BURT. That is not the view of our negotiator or our ambassador in Athens.

Senator LUGAR. Could I ask either you, Secretary Burt, or Secretary Perle, how you would assess the state of Greek public opinion with regard to United States-Greek relationships in general at present, and what has been the impact of Greek public opinion on the Prime Minister in particular with regard to base negotiations and the letter that President Reagan wrote on February 19 to Prime Minister Papandreou in response to the latter's February 4 letter which set in motion much of what we are talking about today?

Mr. BURT. I think that it is always a little difficult to, first of all, generalize about public opinion, and it is always a little bit dangerous to generalize about foreign public opinion.

But with that in mind, I think that the issue of bases in Greece is clearly a controversial one. In part, it has been made controversial by the current Government in Greece. I would remind you that this is not a normal negotiation. There have been statements by Greek officials suggesting that the purpose of these negotiations should be the liquidation of American bases in Greece.

Senator LUGAR. Do you think that is a strong possibility, just a possibility, or what is the likelihood of success?

Mr. BURT. I do not want to attach a probability to it, but I will say it is certainly something we wish to avoid and are working very hard to avoid, and we have made it very clear to the Greek Government that we want a strong security relationship with Greece. We believe that the letter the President sent the Greek Government has been understood by the Greek Government. We do not think it has created unusual animosity.

We recognized that—that the Greek Government would not be pleased with our security assistance request; however, I think that they understand. They are realistic; they know that a negotiation is underway, and we hope that the position we have taken will enhance opportunities to reach an equitable agreement for both sides.

Senator LUGAR. What significance, in your judgment, do the Greeks attach to the 7 to 10 ratio idea? Specifically what do we anticipate the $280 million of FMS aid would be used for in Greece? Is there any indication of how the NATO capability of Greece would be enhanced?

Mr. BURT. I will let Mr. Perle address the question of how the additional funds for Greece would be used for their military capability. I must say where we hear 7 to 10 the most is on Capitol Hill.

In my discussions with Greek officials, the emphasis is placed upon maintaining a balance and, in response to Senator Sarbanes' earlier question, maintaining a balance is one factor among many that we have to take into account. We are confident that, assuming the successful implementation of our request and the successful completion of the base negotiations, we will continue to achieve a stable military situation between Greece and Turkey, recognizing a stable situation is in our interest and, more importantly, in the interests of NATO in dealing with threats outside that bilateral relationship.

Senator LUGAR. Mr. Perle, can you give me some indication of how the money might be spent?

Mr. PERLE. The Greeks, like the Turks, are looking to modernize their aircraft. They are also interested in communications equipment, radars, attack helicopters, missile systems, antitank weapons, vehicles, and ammunition.

Senator, I wonder if I might just add a further point on this question of Greek requirements and Turkish requirements and the 7 to 10 ratio. I can well imagine coming before this committee under different circumstances and recommending that assistance to Greece in relation to assistance to Turkey be provided at a ratio even better from the Greek point of view than 7 to 10.

If the circumstances warrant it, I see no reason why more assistance should not go to Greece than Turkey. In short, the requirements of the respective countries ought to drive the size of the program.

To depart from that fundamental criteria seems to me inevitably to introduce a measure of arbitrariness into what is a very important aid program not only for these two countries but for other friends around the world. So I would hope that we could focus on the truly important thing, which is the requirements of two friendly countries and close allies.

Senator LUGAR. Given the fact that there are, obviously, disputes between Greece and Turkey which we have been discussing now, and the testimony has been that it would not be effective to apply pressure on either Greece or Turkey, what positive steps can the United States initiate to help Greece and Turkey resolve issues of dispute which, obviously, affect the strength of the NATO alliance and our relationships with both countries?

Are there steps that are not involved in pressure per se but steps that could be initiated and be constructive?

Mr. BURT. Mr. Chairman, I believe there are, but I think we have to be a little wary of thinking or getting into the mold of thinking that the United States alone can solve this problem.

As I mentioned in the specific case of Cyprus, we are trying to play a helpful role and have assigned a senior State Department official to assist the United Nations in its efforts to move the talks along. The efforts we are making in terms of the scholarship program I mentioned in my introductory remarks are important because they are bringing young Cypriots, Greek and Turkish Cypriots, to the United States, where they are getting an opportunity to, I think, talk to people here and also interact with one another potentially as a means in the long term, I think, of trying to create a better dialog between the two.

We stay in very close touch with the leadership of both countries. Secretary Shultz meets regularly with his Greek and Turkish counterparts. Normally, those meetings are occupied with discussions of the Greek-Turkish problem. We have stressed to both sides the importance of reasonable and prudent problem solving approaches to specific questions, whether it is the question of air space over the Aegean or questions concerning their relationship in terms of military exercises within NATO.

Our Supreme Allied Commander, who reports to the alliance, has been heavily involved—Alexander Haig as SACEUR and now

Bernie Rogers. It is mainly through offering good offices, in some cases working with them within the NATO framework, working with them through the United Nations and the bilateral relationship that we can make some progress.

I would like to be able to say that there was the possibility of a major breakthrough here, but I think in maintaining strong relationships with both countries we can exercise positive rather than punitive influence to at least maintain a degree of stability to the region and avert a conflict which none of us want.

Senator LUGAR. Thank you very much.

Senator Sarbanes.

Senator SARBANES. Nothing further.

Senator LUGAR. Senator Biden.

Senator BIDEN. Thank you. I just have a few more questions. I agree with the assessment of Senator Sarbanes about the wisdom of your negotiating approach, whether or not it would have been better to straight line and then move on increases later for both countries.

I understand Secretary Burt's argument that that would mean we were letting our policy be held hostage, our security interest hostage to Greek whims and decisions. But I recall vividly the Defense Department, when you and I were still working for the same branch of the Government, Mr. Perle, arguing that the reason we had to lift the embargo and, in turn, increase Turkish military aid was because we were in the process of negotiating a base agreement with Turkey, and without the increases we could not expect Turkey to accommodate our security interests, which happen to be their security interests also.

What is it at the Defense Department that has changed? I remember specifically sitting with Mr. Karamanlis in Athens and then his predecessor, Mr. Rolandhis, and both of them pleaded with us, saying, "You are tying our hands. Here you are telling the world that you have to lift the embargo and increase military aid to Turkey because you need those bases. You are paying a heavy price. You are letting them blackmail you and in turn you are not giving me much room." And Mr. Karamanlis specifically said you will cost us an election.

Now I will not argue with you whether or not it did cost an election, but is there any change in strategy at the Defense Department as to why it made sense for Turkey when we were negotiating base agreements and now it does not make sense to increase aid for Greece or change the relationship?

Mr. PERLE. Let me say first that I think the embargo was indefensible. The embargo went far beyond the question of assistance. We would not permit a NATO ally to purchase the equipment it needed to defend the NATO alliance. We would not permit them to make purchases, I believe, for some period of time of spare parts to keep the equipment operational on the basis of which they seek to defend themselves from the Soviet Union.

Following, as it did, indications in a moment of crisis that we might not even honor our NATO commitment to Turkey if it were invaded by the Soviet Union, I have to say I think we had established a record with Turkey that was an appalling one of unrelia-

bility. So the sooner that embargo was lifted, in my judgment, the better.

Now on this quesiton of the use of pressure, I do not think it is correct to describe the approach the administration has taken to security assistance for Greece as a source of pressure on Greece. We are trying to negotiate an agreement with Greece, if I may say so, from a Defense Department point of view, not because the installations in Greece are of such vital importance to us—they could be relocated; there is not a facility there whose mission could not be accomplished some other way—but because that relationship has become an expression of the close security relationship between two countries.

We very much hope for that reason we will be successful in working out an agreement with Greece. We are attempting to do so against the background of statements made in public in Greece to the effect that all that would be up for negotiation is the liquidation of American facilities in Greece. We continue to do so in the face of public demonstrations in which 80,000 people come out into the streets in Athens and we have done so in the face of—I am not a diplomat and perhaps I am saying more than I should—a number of statements and foreign policy statements in Athens with respect to which this administration has been extraordinarily forebearing.

So we are trying very hard to keep the Greek-American security relationship intact and to say that if a satisfactory agreement is reached we will come back to the Congress for additional support. I do not regard that as pressure on Greece.

Senator BIDEN. It somewhat surprises me—and it is the second time an administration official has made the statement to me you have just made—that we could, without damaging our security interests, relocate our facilities that are presently in Greece. There is an implication in the statement which followed that you did not make, but I would like to ask you: Could we be equally as sure of relocating our facilities that we partake in in Turkey as we could Greece? Or are the Turkish facilities by their very nature more important than the Greek facilities?

Mr. PERLE. Obviously, because Greece and Turkey occupy different space on the map, the situations are not identical, nor are the facilities identical. I would have to make a quite careful look at what would be entailed in relocating American facilities in Turkey, and I would not want to give you an answer off the top of my head.

I have an assessment. At the onset of a negotiation one does an assessment of that kind.

Senate BIDEN. I may have you on thin ice, but you have looked thoroughly. You know what Turkey is or is not or you would not make the assessment about Turkey for dollars. Obviously, you know well, as well as you do about Greece. You know Turkey's relationship.

Mr. PERLE. I have just been through the exercise of looking at the cost of relocating facilities in Greece. I know what they are and I know what the problem would be. I cannot give you an equally comprehensive answer with respect to Turkey.

Senator BIDEN. One of the things that always concerns me, it has concerned me for the last 8 years I have focused on this issue is the facility with which consecutive administrations assert an assump-

tion that the Turkish component is considerably more reliable and important than the Greek component.

I would suggest not necessarily for you to even comment on, although you are welcome if you like, I would suggest that nothwithstanding the fact that Turkey is important and that the Turks have demonstrated that they will fight with pick handles if they need to to withstand what amounts to in modern history of over 250 years of Russian aggression, in immediate modern history, the last 120 years, and they will do that regardless of whether the United States is for them or against them.

The ease with which they can complete that mission will depend upon how much help they have. But also modern history dictates—I am not at all so sure, although I expect it is true—that Turkey would be as ready and willing to be part of the process of NATO absent that portion which impacted upon Turkey proper, where Greece has demonstrated that willingness consistently to jump in even when they are not on the front line.

I just think it is not a useful thing for us to argue or for me to press that point any more than it is for the Defense Department to press the point about with what facility we could move. Your administration—I mean "you" in an editorial sense—are not saying anything different than the last or the one before or the one before, and I think it is probably very counterproductive.

I do not offer that as a criticism of you, Mr. Perle, and I mean that sincerely. It runs through this entire debate that has been going on for the 8 years I have been participating and it runs deep in Greece. I am not sure it warrants as much credibility as it is given by policymakers.

But my time is up again and I will come back for a specific question if we have another round.

Mr. PERLE. Senator, if I may just say, I think it is very much in our interest to maintain what has been a healthy and productive security relationship with Greece, and I certainly did not mean to suggest anything other than that in simply observing that what lies at the center of our interest is the totality of that relationship rather than a piece of real estate here or there.

Senator BIDEN. I agree. If I just can finish, I will not take another turn.

To use what is a word given wider usage than it warrants, in the geopolitical realities of the region Turkey ain't got no place to go and they will do whatever in fact they have to do to protect their interests, and they have demonstrated that.

What worries me is, Greece may in fact decide incorrectly that they have a place to go, not in terms of a military alliance with the Soviets but in terms of Papandreou being forced to follow through with his rhetorical excesses about what role in that region Greece should play. I can see Mr. Burt disagrees with that completely and I would be delighted to hear his response.

But I am not suggesting Turkey is not important. It is. All I am pointing out to you is if you balance them, which you constantly do, I am much more worried about what happens to Greece in political terms than I am about what happens to Turkey in political terms.

If you would like to comment, Mr. Burt, go ahead and I will not say any more.

Mr. BURT. I would just make one brief statement. That is, I think it is a mistake to say that Turkey has nowhere else to go because I think we have been extremely lucky because we saw where Turkey was going. Until recently they were facing extremely serious domestic problems and where they were going was the route of internal disintegration which happened to have a profound——

Senator BIDEN. I do not disagree with that, but that is unrelated to NATO.

Mr. BURT. No; it is very importantly related to NATO.

Senator BIDEN. I mean, our aid does not impact on that.

Mr. BURT. Yes; it does. Of course, it does.

Senator BIDEN. How does it? I would like to hear that.

Mr. BURT. First of all, a good chunk of our aid has been economic support funds which for the first time we were able to substantially reduce this year because the government has improved the economic outlook.

Senator BIDEN. But we are not arguing about that now.

Mr. BURT. Second, I do not have to tell this group how important an establishment within Turkish society the Turkish military is, and it has been a very responsible part of Turkish society.

In fact, what they are doing right now in terms of setting a timetable for a return to civilian rule—set against the background of their intervention at a time of a very chaotic situation—and again responsibly pulling the country back together and putting it on the right path toward economic development as a member of the alliance is critical.

Senator BIDEN. Are you suggesting that would change if military aid changed?

Mr. BURT. I am suggesting our security assistance relationship and our security relationship with Turkey is very critical to the orientation of that country, to the vitality of that country's economy and the vitality of that country's military capabilities.

Senator BIDEN. You know, even though I strongly oppose——

Mr. BURT. Turkey is an Islamic member, the only Islamic member of the alliance and there has been an Islamic revolution underway in that part of the world. Turkey has faced pressures few other western countries have to face.

They have a war on one of their borders now. Iran is fighting Iraq. You used the word "geopolitical," but they are in a position to play a very important role in terms of stability in the Middle East, and disintegration, chaos, or a drift in Turkey could have major implications not only for the alliance but for our position in the Middle East.

Senator BIDEN. I would argue with you that increased economic aid would better stabilize that than increased military aid. I would further argue with you that notwithstanding Mr. Perle's presentation that the additional military aid here is not going to get us very far because you are right.

There is a great deal more that would have to be done to make that fighting apparatus one that could fulfill its mission. So what I am saying to you is you are paying a big price for a little return in a short timeframe. That is all I am saying to you. You would not

have guys like Biden and Sarbanes and possibly others saying you guys were wrong if you came here talking about increased economic aid. We supported the increased economic aid, asked for the increased economic aid.

All I am saying to you is you are not going to get a lot of bang for the buck in terms of the ability to fulfill their mission from this additional money. It will not impact, in my view, on the judgments that the military is going to make relative to the social situation in the domestic situation in Turkey as to whether or not they get another $410 or $450 million in military aid.

Mr. BURT. I could not disagree with you more. The most important bilateral relationship Turkey has is with the United States.

Senator BIDEN. I am not saying it is not.

Mr. BURT. No; but the judgments the leaders of that country take, both military and political, are based on that relationship.

Senator BIDEN. Based upon the military?

Mr. BURT. Based upon their relationship across the board. One of the most important variables of that relationship, given their profoundly depressing military situation, which you yourself admit exists, one of the most important variables is their assessment of security assistance funding and their assessment of how important we think they are.

It is a very important yardstick.

Senator BIDEN. I have watched you guys string out commitments so skillfully that I cannot believe that you could not have done precisely what you are attempting to do without one-fifth the difficulty here on the Hill and/or in Greece by being a little more skillful about how you strung that out.

You did not have to come for $450 million at this point, and I think—anyway, obviously, we are going to have a chance to debate this a lot and talk more about it. I hope we can ultimately resolve it.

Mr. BURT. So do I.

Senator BIDEN. Because I honestly agree with you that it is critical that Turkey have their legitimate needs met, and there is a legitimate military need and, in fact, that Turkey feel that they are playing and in fact they do play an important part in the alliance and be put in a position to play a wider role in the Middle East, which they have the capability of with a little assistance.

But I am afraid you are going to upset the applecart in the meantime by the way we went about this. So the whole thing will start to unravel. We could take this probably another 5 or 6 hours to intelligently discuss this without either of our positions being misrepresented accidentally by the other because we do not cover enough of the whole.

But I will not say any more, and I really mean it this time.

Mr. PERLE. I just would not want the record, by reflecting silence at this point, to suggest assent with the view that we will not make a significant contribution to the Turkish capacity to carry out their NATO missions by beginning on this program. I think these funds are vitally needed.

It is true there will be a long way to go even after this, but it is a terribly important beginning.

Senator BIDEN. Your breaking of the silence is noted. Thank you.

Senator LUGAR. Senator Sarbanes.

Senator SARBANES. Mr. Burt, do you agree with Mr. Perle that the facilities located in Greece are really not very important?

Mr. BURT. I did not interpret Mr. Perle as saying that. They are, of course, important facilities.

Senator SARBANES. You might be able to bail Mr. Perle out of his earlier answer. Why don't you go ahead?

Mr. BURT. I do not think I have to bail Mr. Perle out. I think he can speak for himself. I think he simply said that, as we do in the case of every base negotiation, we have to look at alternatives. It is only good policy planning as we go into negotiations because they are difficult negotiations. They are often expensive negotiations.

This case, particularly because the political framework for these negotiations suggests the possibility that we could result in losing some facilities, led to analysis looking at alternatives. But beyond that we recognize the importance of those facilities and we are negotiating in good faith, earnestly and seriously, to sustain a robust United States-Greek security relationship.

In fact, I have in front of me and you have undoubtedly read it, the letter to Prime Minister Papandreou from the President, and he makes very clear the importance he attaches to a strong United States-Greek security relationship.

Senator SARBANES. Mr. Misheloff, why don't we get you in here a little bit? I do not want you to feel there was no role for you to play here. I am interested in the amount of the OECD rescue economic package for Turkey.

Mr. MISHELOFF. Last year, Senator, the total amount pledged was on the order of magnitude of $800 million.

Senator SARBANES. Was that the first year of it?

Mr. MISHELOFF. No, sir; it dates back to 1979, I believe. It has been running at about $900 million to $1.1 billion a year.

Senator SARBANES. $900 million to $1 billion for how many years?

Mr. MISHELOFF. Since 1979.

Senator SARBANES. All right. Now, is that essentially all grant money, most of it?

Mr. MISHELOFF. No, sir; a good portion of it is loan money.

Senator SARBANES. Economic loan money?

Mr. MISHELOFF. Yes.

Senator SARBANES. With the tied purchases?

Mr. MISHELOFF. It varies. In some instances, yes; in some instances, no. In our case, we provided our assistance in the form of cash transfers, part loan—part grant, but in no instances were the funds tied to purchases in the United States. That is also true of some but not all of the other OECD donors.

Senator SARBANES. Were the loans paid on a deferred payment basis?

Mr. MISHELOFF. Our loans are on the basis of, if I am not mistaken, 20 years maturity, 5 percent interest, and 5 percent grace. So yes, they are concessional.

Senator SARBANES. Is the sharp increase in FMS that is proposed for Turkey going to complicate their economic situation and repayment problems?

Mr. MISHELOFF. No; I do not believe it should, no, sir.

Senator SARBANES. How are they doing on repaying their FMS loans?

Mr. MISHELOFF. The Turks are up to date. They are not in default on any loans to the U.S. Government.

Senator SARBANES. How did that happen? Haven't they rolled them over?

Mr. MISHELOFF. There were reschedulings, both private bank loans and loans made or guaranteed by OECD country governments.

Senator SARBANES. Let me just quote a GAO report that says, on page 10—this is a report to the Congress; are you familiar with that report?

Mr. MISHELOFF. The GAO report on——

Senator SARBANES. On arms sales.

Mr. MISHELOFF. Yes; I believe so.

Senator SARBANES. It is not just on Turkey. It is broader than that, but on Turkey it says Turkey has not paid FMS financing obligations since 1978, having already undergone four reschedulings of more than $400 million in FMS loan obligations owed to the United States.

Mr. MISHELOFF. Yes; there were reschedulings arranged both with the private bank creditors and with OECD governments. When I said they were not in default, I meant they had lived up to the terms of the reschedulings.

Senator SARBANES. Oh, I see. Were the reschedulings necessary in order to preclude a default at the time they were made?

Mr. MISHELOFF. The reschedulings were certainly necessary at the time they were made to avoid a very serious debt problem, yes, sir.

Senator SARBANES. Now, as we launch on these larger and larger amounts of foreign military sales, aren't we increasing the economic burden on Turkey?

Mr. MISHELOFF. I think you have to appreciate the fact that in the years since the rescheduling Turkey has made remarkable progress to turn around their economic position. That is one reason and the major reason, of course, why our request for ESF financing in fiscal 1984 is, for the first time in a few years, down.

Senator SARBANES. What was the total of the OECD rescue package over the course of those years, from 1979, was it, forward?

Mr. MISHELOFF. Yes.

Senator SARBANES. Would it be in the magnitude of about $5 billion?

Mr. MISHELOFF. No; it was not that high.

Senator SARBANES. Suppose I told you it was $900 million to $1 billion in each year.

Mr. MISHELOFF. I am told it was about $3.5 billion over the course of the special assistance, yes.

Senator SARBANES. Now the rescheduling that we undertook, whether with Turkey or any other country—and I am asking a somewhat broader question now—in effect represents by us a deferment on the payment of interest and principal, does it not, from whatever country—usually from whatever country is rescheduling?

Mr. MISHELOFF. Yes, sir, that is right.

Senator SARBANES. Now, I understand that the loan guarantee fund for the FMS sales is almost down to the statutory minimum. Is that correct? Perhaps Mr. Perle should answer that question.

Mr. PERLE. I cannot answer that, Senator. I will have to give it to you for the record.

Senator SARBANES. I am also told that when in fact it gets down there, we will actually have to make an appropriation here in order to keep it up. The FMS is brought in here as though it has no budgetary consequence because it is off-budget, but in fact this extended provision of FMS—and I am now speaking to a somewhat broader issue—creates obligations which cannot be met, and then in the course of rescheduling them or picking up on the defaults, in effect, it becomes a budgetary cost, although it was originally presented to the Congress as having no budgetary cost.

Mr. BURT. Senator, just in general, I think your line of questioning suggests that going forward with this program will have a major impact on Turkey's debt servicing ability. Just to make our view clear, we have looked at this problem and have concluded that, barring any unforeseen circumstances, Turkey should have very little trouble being able to handle debt servicing under the terms of our request.

Senator SARBANES. I want to quote the GAO report now on that. It says,

> Reschedulings have considerably reduced Turkey's debt burden and have enabled Turkey to postpone making principal and interest payments on the debt owed to the United States between 1978 and 1983.

So there has been a cost that has run with it for us.

> However, after 1983, Turkish debt service payments will climb due to the bunching of rescheduled payments and new debt obligations. According to United States officials, Turkey will probably have difficulty making payments after the rescheduling period. One unknown factor is what will happen to Turkey's economy once civilian government returns.

Mr. PERLE. Senator, the period you are referring to was one in which Turkey suffered two severe economic blows. One was the very substantial rise in oil prices, and Turkey imports most of its oil. And the other was the internal chaos Rick was speaking about earlier, in which economic activity was badly affected by the fact that a day did not pass in which there were not dozens of terrorist attacks, and I believe the number was something like 20 fatalities a day.

Mr. BURT. Twenty-five.

Mr. PERLE. Twenty-five, over an extended period, and no economy will function well under those circumstances.

This government has made some striking economic reforms. The price of oil is rapidly declining, and hopefully will decline further. So we are quite optimistic about the prospects for the Turkish economy and their ability to handle this burden. At least one of these factors, the decline in oil prices, may not have been anticipated by the GAO when they prepared that report.

Mr. MISHELOFF. If I would add——

Senator SARBANES. Well, we will develop it here, but the reschedulings of the Turkish debt are enormous figures. I am not just talking now about the U.S. FMS moneys.

Mr. Misheloff, were there not broader reschedulings as a part of this whole OECD rescue package?

Mr. MISHELOFF. Yes.

Senator SARBANES. In what magnitude?

Mr. MISHELOFF. Well, let me see if I can address the question in terms of the implications for future years. The reschedulings call for the beginning of repayments on principal again in 1983 for official credits and in 1984 for bank credits. Turkey's debt service obligations, which now, net of the effects of the rescheduling, are running about $2 to $2.2 billion a year, will probably go up to $3 or $3.2 billion in 1985.

However, as Secretary Perle was indicating, there have been economic developments in Turkey of a salutory nature which suggest that that should not be an unbearable burden by any means.

We pointed these out in a report on the Turkish economy and debt repayment prospects which we submitted to the Congress in December 1982.

Senator SARBANES. In other words, their economy will improve, you think, enough to meet that burden. Is that right?

Mr. MISHELOFF. I think it is very likely that their foreign exchange earnings over the course of the next few years will grow sufficiently to enable them to make repayments on the rescheduled debts as they come due. They should be able to meet the increased debt service obligations in 1984 and subsequent years without any undue sacrifice in terms of economic growth and development and the imports which that requires.

Senator SARBANES. And also to assume additional debt?

Mr. MISHELOFF. Yes, sir.

Senator SARBANES. I want to ask just a couple of final questions on the human rights situation in Turkey. I take it that has to be taken into consideration when you are considering security assistance under the law. Is that correct?

Mr. BURT. That is right, Senator.

Senator SARBANES. What is your reading of the situation?

Mr. BURT. Our reading of the situation is that the human rights situation in Turkey has improved, and is improving, that the Turkish Government has recognized that in the past there have been abuses. We have discussed these problems with the Turkish Government. It has taken active steps to improve the situation in the human rights area.

They have, as you know, already taken steps to return the government to civilian rule. There was a referendum and a new constitution last year which was overwhelmingly approved. They will in October be able to turn the country back to a civilian parliament, and in fact I was recently told by the Turkish Ambassador here that in about 1 month to 6 weeks time, the formation of new political parties in Turkey will get under way.

Senator SARBANES. Mr. Perle, you and I had an exchange about this and you were very strong as I recall, on the subject of quiet diplomacy, if you remember that previous hearing. Have we indicated to the Turkish Government our concern about the various human rights questions?

Mr. BURT. We do talk about these issues with the Turkish Government.

Senator SARBANES. Former Prime Minister Ecevit was charged on more than one occasion last year, once simply for writing an article discussing matters in Turkey that appeared in a West German publication. He was jailed and he faced the prospect of a long term in jail, which in the end did not happen. Did we express any concern about his situation?

Mr. BURT. That issue was discussed with the Turkish Government.

Senator SARBANES. And how about the situation of Demerel, who was the leader of the other party? He also encountered difficulties with the military regime.

Mr. BURT. As you indicated, and Mr. Perle has apparently said, we do believe, particularly in talking with allies where we do have a close and productive relationship, that quiet diplomacy is more helpful.

Senator SARBANES. I noticed that when the foreign minister of West Germany visited Ankora and met with the generals, he came out after his meeting and indicated the nature of the relationship between the FRG and the Republic of Turkey, its long standing and importance to them, but then went on to express publicly in Ankora his own concern about the treatment of former political leaders, former labor officials, intellectuals, academics, journalists, and their treatment.

It seemed to me a rather wise thing to do, if Turkey is in fact going to move back to civilian government, to express some concern about how those elements that will assume some role in a civilian government, are being treated now under a military government. How much of that have we done?

Mr. BURT. Well, I will just repeat what I just said.

Senator SARBANES. We have not done any of it publicly, have we, as Genscher did?

Mr. BURT. I am just speaking for American policy here. We do not believe that kind of policy will be effective.

Senator SARBANES. Are you aware of the position of the Ecumenical Patriarchate in Istanbul?

Mr. BURT. I am aware of the issue, yes. I cannot discuss it in great detail.

Senator SARBANES. Is it a matter to which you have addressed some attention? Is there some reflection of concern about the Patriarchate and its role and its ability to function?

Mr. BURT. We are concerned about that.

Senator SARBANES. Is there an appreciation of its importance since it relates to Eastern Orthodox communicants all over the world?

Mr. BURT. Yes.

Senator SARBANES. I hope that is fully understood. I think it is a very important matter. My own information is that the Patriarchate is being handicapped. In fact, I am choosing my words carefully, because we want to try to work it out so they are able to function. At present they are not able to function in a normal, effective way, as provided by any number of treaties and constantly reasserted. Is the Department sensitive to that concern?

Mr. BURT. We are.

Senator SARBANES. Thank you, Mr. Chairman.

Senator LUGAR. Thank you, Senator Sarbanes.

Thank you, gentlemen, for your testimony. I think we have had an opportunity to cover a good number of questions, and this record will be made available, of course, to all members of the Foreign Relations Committee prior to further action. Thank you for coming.

Mr. PERLE. Thank you very much.

Senator LUGAR. The Chair would like to now call Mr. Eugene T. Rossides, Ambassador Parker T. Hart, and Gen. William A. Knowlton to the witness table.

Gentlemen, we welcome you to this hearing of the Foreign Relations Committee. We appreciate your patience. We have had an extensive colloquy which you have observed.

At this time, let me mention that without objection, all of your prepared statements will be made a part of the record. Clearly, you have waited long in order to be heard, and I do not want to truncate valuable testimony unduly, but it would be helpful if you could summarize your statement in 5 or at maximum 10 minutes. As you observed, we have a questioning panel. We will then proceed to an exchange of views and questioning.

If I may, I would ask that you testify in the order in which I called you to the witness table. First, Mr. Rossides, who is the special counsel for the American Hellenic Institute, Public Affairs Committee, Inc., followed by Ambassador Parker T. Hart, former Ambassador to Turkey, 1965 to 1968, and a retired career Foreign Service officer, and finally, Gen. William A. Knowlton, U.S. Army, retired, former Commander of the Allied Land Forces Southeast, Imir, Turkey, 1976 to 1977.

Mr. Rossides.

STATEMENT OF EUGENE T. ROSSIDES, SPECIAL COUNSEL, AMERICAN HELLENIC INSTITUTE, PUBLIC AFFAIRS COMMITTEE, INC., WASHINGTON, D.C.

Mr. ROSSIDES. Thank you, Mr. Chairman. With me is Hon. Peter Kyros, a former Member of Congress, who is our legislative representative.

Senator LUGAR. Welcome, sir. We are glad you are here today.

Mr. ROSSIDES. Mr. Chairman, we appreciate very much the opportunity to testify on the foreign aid proposals regarding Greece, Turkey, and Cyprus.

Regarding Turkey, we submit that the policy of this and the past three administrations toward Turkey, by disregarding the rule of law and our fundamental policy against aggression, has been a failure and has seriously damaged the U.S. interest in the eastern Mediterranean, costing the American taxpayer a great deal of money.

This summer will mark the ninth anniversary of Turkish aggression and occupation of northern Cyprus. We submit it is past time for a change.

We believe that the interests of the United States are not served by the administration's current military and economic aid requests for Turkey totalling $1,054 million. There is no justifiable reason for Turkey to join the billion dollar club.

Our position is based primarily on (1), the rule of law in international affairs. Turkey has violated of our foreign aid laws, the U.N. charter, the NATO charter, the Geneva Convention, and the 1960 Treaty of Guarantee. To sit here and listen to Mr. Perle, Assistant Secretary of Defense, talk about a mistake in putting on an embargo, means that he has no interest in the fundamental policy that our weapons are only for defensive purposes. To listen to that—I do not understand where we are going.

We talk about Afghanistan for the Afghans. We talk about freedom in Poland. And we also talk about Lebanon free for the Lebanese, and that means the rule of law and to have a Defense Department official sit here and talk in that manner, as if, well, it does not matter, that these violations mean nothing is most disturbing.

We also base our position on (2), our current budget crisis, economic situation and 10.4 percent unemployment. Then I list the other 6 points: (3), Turkey's unreliability as an ally; (4), Turkey's intransigence; (5), the questionable strategic value of Turkey in modern warfare; (6), Turkey's military and economic relationships with the Soviet Union; (7), Turkey's threats against Greece in the Aegean; (8), the fact that Turkey has a common border with the Soviet Union of 380 miles in eastern Turkey; (9), Turkey's human rights violations in Turkey and Cyprus; and (10), the fact that turkey is a military dictatorship.

I notice in the testimony the suggestion that Turkey's mission is to bottle up the Soviet Fleet. First of all, the Soviet Fleet dogs our fleet in the Mediterranean through the efforts and cooperation of Turkey in letting the *Kiev* cruiser through the Dardenelles and misreading the language of the Lausanne Treaty thereby aiding the Soviet Union. There is no situation of bottling up the fleet.

In case of war, there are any number of ways to bottle up any fleet in the Black Sea, to mining or bombing the Bosphorous. You do not need Turkey to do that.

We submit the fact that Turkey has a common border of 380 miles with the Soviet Union is one of the main reasons that you will never have Turkey as a reliable ally. There is no way, from Turkey's interests, she can allow herself to be in an adverse position with the Soviet Union unless directly attacked.

The figures we have set forth in exhibit 1 show the incredible and dramatic increase in aid, Mr. Chairman, from $125 million in 1976 to now the $1 billion figure, and Mr. Perle is sitting here saying this is just the beginning. There is nothing in the NATO charter that says the United States has to have an entitlements program with Turkey or any ally. I do not understand it. Where is the basis for that?

Now, we have such a serious economic situation here that we submit it is unreasonable including $330 million in direct grants.

At a time when the American people are asked to make significant sacrifices both in their national security and economic well-being, there is no justification for these aid levels and grants to Turkey.

The action of the Defense Department in signing recent agreements regarding air bases in eastern Turkey is not in the best interests of the United States. Are they suggesting these air bases will in some way bottle up the Soviet Fleet, or in some way stop an

attack by the Soviet Union on the Persian Gulf through Iran? The path to the Persian Gulf does not go through Turkey.

The whole concept that Mr. Perle is exhibiting of this tilt toward Turkey, which has been exacerbated and made far worse in these last few years, brings into question our strategic concept. We think this committee should get into the question of the relative role and values in this situation.

Mr. Chairman, we make certain suggestions regarding our position. There was a debate about what is pressure and what is not pressure. The inconsistencies, I think, are glaring, as to giving aid and the failure to give aid because the act of giving aid is an act. If you wanted to be completely neutral, do not give aid to either country. Do you remember, we discussed that last year, Mr. Chairman.

We believe that. Give no aid to either until those differences are settled, but giving aid interferes with negotiation. It makes a judgment on existing troops in Cyprus, and it is not 20,000, it is probably closer to 25,000 or 30,000, and 40,000 colonizers, and probably 75,000 to 100,000 in the Aegean pointing American-supplied guns at Greece.

We submit that the history of the last 8 or 9 years is that aid without conditions will not work. You will build up an arms race, and you will have a possible war between these two countries. In our prepared statement, we set out our positions that there should be a condition to all aid, military or economic, in accordance with U.N. Resolution 3212—which resolution President Reagan fully endorsed—namely the removal of all foreign troops from Cyprus; and the removal of the Turkish colonists from Cyprus.

Second, Mr. Chairman, is to reduce substantially military and economic aid levels to Turkey. A substantial portion—we ask you to ask questions of the administration on this—of Turkey's and Greece's military forces are specifically earmarked solely for use against each other. Nothing to do with NATO. We submit aid to both countries should be reduced substantially while keeping the balance of power as stipulated in the 1978 legislation.

Clearly, we oppose all grant aid. We oppose a supplemental of $65 million military for 1983, which $65 million this committee rejected last year. Mr. Chairman, we ask for as a condition the return of Varosha (New Famagusta). That was one of the more helpful things the administration did. It was part of a 10-point program in 1978, the condition of returning Varosha to the Government of Cyprus, where they could resettle refugees.

Also, condition all aid on Turkey's agreeing to give the U.N. Committee on Missing Persons full authority to investigate all leads regarding the 1,600 missing Greek Cypriots and several Americans, and condition all aid on Turkey's lifting all restrictions and ceasing her continued harassment of the Patriarchate in Istanbul. I was so pleased to see Senator Sarbanes raise that very important issue.

Mr. Chairman, the executive branch policy has been a failure. We urge this committee to take a hard, hard look at it. To listen to Mr. Perle talk about Turkey raises serious questions. We are now on the merry-go-round or the roller coaster in aid to Turkey. For some reason, Turkey will suddenly be the savior of the United

States. For him to sit here and say he would have to go back and look at the facts and figures about relocation costs is ironic. The embargo lasted 5 months. Turkey closed United States bases for 3 years. The United States survived. Statements were made at that time, we can do without the bases in Turkey. We could probably do without bases in most countries where we have them. We are a major power. But it is not the way to conduct negotiations, just to give Turkey everything she wants.

Then to sit back and hear that General Evren—and I will finish in 30 seconds, Mr. Chairman—to hear that General Evren has restored so many things and so on, we disagree. It is a junta. It is a military dictatorship. They were instrumental in the original invasion of Cyprus. The National Security Council of Turkey runs their national security policy and foreign policy. I think you should ask other people also regarding human rights in Cyprus.

Thank you very much, Mr. Chairman.

[Mr. Rossides' prepared statement follows:]

PREPARED STATEMENT OF EUGENE T. ROSSIDES

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to present testimony before this Subcommittee on behalf of the American Hellenic Institute Public Affairs Committee, Inc., regarding the foreign aid requests of the Administration for Turkey, Greece and Cyprus. Appearing with me today is the Honorable Peter Kyros, former Member of Congress from Maine.

TURKEY

The policy of this and the past three Administrations toward Turkey, by disregarding the rule of law and our fundamental policy against aggression, has been a failure and has seriously damaged United States interests in the Eastern Mediterranean, costing the American taxpayer a great deal of money. This summer will mark the ninth anniversary of Turkey's aggression and occupation of northern Cyprus. Our relationships with both Turkey and Greece have been weakened during this period. It is past time for a change.

We believe that the interests of the United States are not served by the Administration's current military and economic aid requests for Turkey totalling $1,054 million ($934 million for fiscal year 1984 and $120 million supplemental for fiscal year 1983). There is no justifiable reason for Turkey to join the "billion dollar club."

Our position is based primarily on (1) the rule of law in international affairs (Turkey's violation of our foreign aid laws, the U.N. Charter, the NATO Treaty, the Geneva Convention, and the 1960 Treaty of Guarantee), and (2) our current budget crisis, economic situation and 10.4 percent unemployment. In this connection see Exhibit 1 for an exceptional article by Harry J. Shaw in the Spring 1983 issue of Foreign Policy magazine on the security assistance program entitled "U.S. Security Assistance: Debts & Dependency," which analyzes the program and details the damage to United States interests by the Administration's foreign aid proposals and the damage to recipients such as Turkey. Mr. Shaw is the former chief of the military assistance branch of the Office of Management and Budget during the Johnson, Nixon, Ford and Carter administrations and is presently a lecturer in government and foreign affairs at the University of Virginia. See also the recent GAO report entitled "Unrealistic Use of Loans to Support Foreign Military Sales" dated January 19, 1983.

Our position is also based on (3) the unreliability of Turkey as an ally (NATO is not a self-executing treaty), (4) Turkey's intransigence, (5) the questionable strategic value of Turkey in modern warfare, (6) Turkey's military and economic relationships with the Soviet Union, (7) Turkey's threats against Greece in the Aegean, (8) the fact that Turkey has a common border with the Soviet Union of 380 miles in eastern Turkey, (9) Turkey's human rights violations in Turkey and Cyprus, and (10) the fact that Turkey is a military dictatorship.

The $1,054 million Administration request breaks down as follows:

[In millions of dollars]

	Fiscal year 1984	Fiscal year 1983 supplemental
FMS—foreign military sales credits-guaranteed loans	525	65
MAP—military assistance program	[1] 230	
IMET—military training	4	
Total military	759	65
ESF—economic support fund	[2] 175	55
Total economic	175	55
Total military and economic	934	[3] 120

[1] Grants.
[2] $100 million grant; $75 million loan.
[3] The $120 million was not approved last year by the Congress.

$330 million of the total $934 million request for fiscal year 1984 is in the form of outright grants.

The Administration request of $759 million in military aid for fiscal year 1984 represents:

An 88 percent increase over the $403.5 million authorized and appropriated by Congress in the Continuing Resolution on Appropriations for fiscal year 1983 and in the 2-year foreign aid bill passed by Congress in December, 1981, for fiscal years 1982 and 1983;

A 62 percent increase over the $468.5 million requested by the Administration for fiscal year 1983;

A 201 percent increase over the $252 million authorized and appropriated for fiscal years 1980 and 1981;

A 334 percent increase over the $175 million authorized and appropriated for fiscal years 1978 and 1979;

A 500 percent increase over the $125 million authorized and appropriated for fiscal years 1976 and 1977;

The attached chart prepared by the Congressional Research Service shows the dramatic and exhorbitant increases in the military and economic aid authorizations for Turkey for the past several years (see Exhibit 2).

At a time when the American people are asked to make significant sacrifices, both in their own national security and economic well-being, there is simply no justification for these aid levels and grants to Turkey.

Support for the rule of law in international affairs is reason enough to change the policy. The budget crisis, the economic situation and the unemployment rate should have made it a certainty last year.

For those who believe that Turkey is of more than minimal value strategically, we suggest that Turkey's value as an ally is negated as long as (1) Turkish troops continue to occupy northern Cyprus, (2) Turkish colonists remain in Cyprus, and (3) Turkey continues its threats against Greece in the Aegean. A prime reason for this is that a major portion of the troops and weapons of both Turkey and Greece are pointed at each other. Rarely, if ever, has anyone in the Executive Branch responsible for providing these arms admitted and made clear to the Congress this stark and brutal fact.

The arms race between Greece and Turkey, stimulated by the Administration's exhorbitant arms aid to Turkey, can lead to a disastrous war between them. In a U.S. News & World Report article (May 3, 1982, p. 30), University of Rochester political science Professor Bruce Bueno de Mesquita, author of "The War Trap," an analysis of why nations engage in conflict, stated:

"I will go out on a limb and cite places where I think war is likely in the next year or two. Conflict between Greece and Turkey over Cyprus is one prospect."

In his September 26, 1980 statement, the President made certain pledges which he has not kept. In that statement he also said that "several disputes between Greece and Turkey have seriously damaged our alliance over the past several years" and that these "issues [Cyprus and the Aegean] must be resolved before any real cooperation and lasting friendship can be achieved between Greece and Turkey." (See Exhibit 3.) A recent letter to the President from former Mayor of San Francisco George Christopher is set forth in Exhibit 4.

Our support of Turkey's agression and colonization in Cyprus makes a mockery of our desperate attempts to make Poland free for the Poles, Lebanon free for the Lebanese and Afghanistan free for the Afghans. Pursuit of such a double standard destroys our credibility worldwide.

How noble did we all feel when the United States, despite political difficulties, came out foursquare against aggression and affirmed the inviolate principle of self-determination in support of the cause of the Falkland Islanders and the rule of law in last year's dispute between two of our traditional friends. If freedom is indivisible then it is not possible to distinguish between the conflict in Cyprus and the conflict in the Falkland Islands. If Great Britain would have acted in a similar manner, as she should have, when Turkey invaded Cyprus in 1974, we would not be here today.

Aid to Turkey without conditions precedent as to the removal of all foreign troops in accordance with U.N. Resolution 3212 of November 1, 1974, has not worked and will not work. In the summer of 1978, at the Administration's strenuous urging, the remaining partial embargo was lifted. The vote in the Senate was 57 to 42 and the vote in the House of Representatives was 208 to 205. The proponents of lifting the embargo in the Senate and House debates stressed the Administration's and their expectation that Turkey would be forthcoming in negotiations to settle the Cyprus problem. Turkey has not been forthcoming and in fact has hardened her position.

Support for the rule of law in international affairs, our current budget crisis and economic situation, and 10.4 percent unemployment require action now.

We submit that it is in the best interests of the United States for the Congress to:

1. Condition all aid (military and economic) to Turkey for fiscal year 1984, (a) on the removal of Turkish military forces from Cyprus in accordance with unanimous U.N. Resolution 3212 of November 1, 1974 (which resolution President Reagan fully endorsed in his campaign statement), and (b) on the removal of Turkish colonists from Cyprus;

2. Reduce substantially military and economic aid levels to Turkey. A substantial proportion of Turkey's and Greece's military forces are specifically earmarked solely for use against each other. Aid to both countries should be reduced accordingly while keeping the balance of power as stipulated in the 1978 legislation which lifted the embargo;

3. Oppose all grant military and economic aid ($330 million in fiscal year 1984) and concessional loan aid to Turkey;

4. Oppose the fiscal year 1983 supplemental appropriation request of $120 million for Turkey;

5. Reduce substantially the $647.75 million for Turkey in the Continuing Resolution on Appropriations for fiscal year 1983;

6. Condition all aid to Turkey on the return of Varosha (New Famagusta) to the Government of Cyprus as a starting point for serious negotiations (in 1978 the Administration proposed the return of Varosha as part of a 10-point plan);

7. Condition all aid to Turkey on Turkey's agreeing to give the United Nations committee on missing persons full authority to investigate all leads regarding the 1,600 missing Greek Cypriots and several Americans; and

8. Condition all aid to Turkey on Turkey's lifting all restrictions and ceasing her continued harassment of the Patriarchate at Istanbul.

GREECE

The Administration's military aid request for Greece remains at $280 million. The Administration has not requested economic aid for Greece. In order to preserve the military balance between Greece and Turkey and to deter aggression against Greece from Turkey, we believe it is important for Greece to receive aid on a one-to-one ratio basis with Turkey and that economic as well as military aid be included in the equation, since money is fungible (economic aid releases other funds for military purposes).

CYPRUS

For all of Cyprus the Administration is proposing $3 million in humanitarian assistance for fiscal year 1984 and a reduction of $10 million for fiscal year 1983 from the $15 million appropriated by Congress in the Continuing Resolution on Appropriations for fiscal year 1983. We oppose the reduction for fiscal year 1983 and urge that the $3 million requested for fiscal year 1984 be increased to $15 million.

Mr. Chairman, I have elaborated on a number of the points in this statement in an addendum attached hereto (Exhibit 5).

Thank you, Mr. Chairman, and Members of the Subcommittee.

EXHIBIT 1

[From Foreign Policy, Spring 1983, No. 50]

U.S. SECURITY ASSISTANCE; DEBTS & DEPENDENCY

(By Harry J. Shaw) [1]

No major program—domestic, foreign, or even defense—has been more favored in Reagan administration budgets than security assistance. The administration's proposed $9.2 billion 1984 program of foreign military sales (FMS) credits, military aid as grants, and security-related economic support exceeds the fiscal 1981 program by 70 percent. This large boost in security-related foreign aid contrasts with no increase in the $3.5 billion bilateral economic development assistance program, a giveaway program not favored by Reagan's conservative supporters.

Although touted as essential to the security of U.S. interests abroad, the security assistance program may endanger these interests more than likely military threats to the recipient countries. In a world of economic peril, security assistance offers expensive arms that may add more to that peril than they do to military security. For the program adds to the troublesome debt burdens of some recipients, creates a group of client states indefinitely dependent upon U.S. assistance, and encourages unrealistic expectations for future levels of aid and relief from debts. Moreover, U.S. credit financing and grant aid encourage recipients to acquire arms and equipment and to maintain military establishments they cannot expect to support unaided.

U.S. arms obtained in this manner may seem cheap to the buyers because of the extended repayment terms, and the costs may seem minimal to the administration and Congress because much of the financing is not reflected in the federal budget. Yet the true costs of this assistance eventually have to be paid. Already several security assistance recipients have defaulted on payments; Turkey alone has had over $400 million in FMS loans rescheduled. In the United States, credits not financed through the federal budget—so-called off-budget items—add to the true federal deficit and to federal borrowing, thus undercutting reductions in interest rates that are essential to U.S. economic recovery.

These high levels of security assistance, moreover, carry serious political risks since they very likely misrepresent what Congress and the public will support over the long haul. Failure to meet the unrealistic expectations of recipient countries will create serious problems in U.S. relations with these countries as well as contribute to their domestic instability. As local regimes are forced to substitute limited indigenous resources for lost aid and to curtail programs for politically influential military establishments, they will quickly blame the United States even if the folly is largely of their own making. The United States must learn the lesson—once again—that restraint in raising expectations for foreign aid pays off in the long run whatever the short-run costs.

Despite these costs and risks the Reagan administration continues to press annually for higher levels of security assistance. In the face of the most severe budget bind ever—and not-withstanding a congressional reduction of $700 million in the proposed $8.7 billion 1983 security assistance program—the administration has requested $9.2 billion for 1984.

It is extremely unlikely that military threats have increased so dramatically since the Carter administration as to justify such astounding increases. Under the Reagan proposals, for example, FMS financing for Egypt would rise to $1.3 billion in 1984, a 136 percent increase over the $550 million provided in 1981. Military assistance to Morocco would increase 200 percent, to Sudan 220 percent, to Spain 230 percent, and to Tunisia 800 percent. Turkey, which received $450 million in FMS financing, grant military aid, and economic support in 1981, would receive over $930 million. Israel's share would remain $2.5 billion, 27 percent of the worldwide total.

While the Reagan administration's ideological bias is an appropriate starting point for analyzing these extraordinary increases in security assistance, other factors enabled the administration to translate that bias into billions of dollars in new arms aid and economic support. The availability of guaranteed loans not included in the federal budget, the breakdown or discarding of earlier program review processes, emphasis on short-run political and military advantages at the expense of long-run costs, the presence of security assistance advocates in key administration posi-

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[1] Harry J. Shaw, chief of the military assistance branch of the Office of Management and Budget during the Johnson, Nixon, Ford, and Cater administrations, is currently a lecturer in government and foreign affairs at the Universtiy of Virginia.

tions, the weakness of the Office of Management and Budget (OMB) as a restraining influence, and the pusillanimity of Congress, all contributed to the outcome.

If nothing else, the budget bind exemplified by the estimated $189 billion deficit in the administration's 1984 budget will require Congress to reassess U.S. national security programs—including security assistance—and to find a balance between resources and the requirements imposed by changing threats to U.S. interests abroad. At a time of critical international economic uncertainty far more attention must be given to threats to the economies of U.S. allies and friends abroad.

When Congress begins its reassessment of the Reagan security assistance proposals, it will need to sift through a variety of programs and related agencies:

FMS financing, the largest part of the security assistance program, provides direct and guaranteed loans to foreign governments purchasing U.S. arms, equipment, and services. The direct loans, with interest rates as low as 3 percent, are financed by appropriated funds included in the budget. In recent years direct loans with canceled repayment have been used as substitutes for outright grants of military aid.

Guaranteed loans, the most important component of FMS assistance, are financed by the Federal Financing Bank (FFB), an off-budget agency managed by the Department of the Treasury. FFB loans for foreign military sales are guaranteed by the Department of Defense and are financed with funds that the Treasury borrows from the financial markets. There is less flexibility in interest rates for FFB loans than for direct loans. U.S. law requires that the interest rate be equivalent to the cost of money to the U.S. Government—that is, the interest rate the government pays at the time the funds are borrowed. Loan repayment, however, is often not required for 30 years, including a 10-year grace period on repayment of principal.

Grant military assistance, long the primary means of financing arms for foreign countries, was reduced to an account for administrative costs by the Carter administration. Congress, which uses grant military aid funds matched with FFB-guaranteed loans as a substitute for direct FMS loans, has since revived the program.

The Economic Support Fund (ESF) provides grants and loans to counrties that do not meet criteria for development assistance but warrant assistance because of special economic, political, or security conditions. ESF assistance is often used to support a country's balance of payments and to offset payments due on FMS loans.

Grant military training assistance finances the training of foreign military personnel in service schools in the United States, pays for U.S. mobile training teams abroad, and provides specialized training aids and equipment for foreign military schools. Also, peacekeeping operations is a relatively small program through which the United States contributes to the financing of peace-keeping forces such as the U.N. forces in Cyprus and the multinational force and observers in the Sinai Peninsula.

BUREAUCRATIC BIASES

The Reagan administration's ideological bent leads it to see threats to U.S. interests largely in military terms and predisposes it to respond by increasing military strength at home and abroad. It has justified increased security assistance by referring vaguely to the Soviet threat and employing rhetoric designed to hide security assistance expenditures under the defense umbrella. The administration's bias against economic development aid stems from its overriding concern for military threats and its belief that development aid is less effective than security aid in achieving U.S. objectives. It considers the resources required for economic development as too large for U.S. development aid to have any substantial economic or political impact. Security assistance by contrast, can be concentrated in sufficient amounts to help develop the military capabilities of a few key countries. The administration believes that strong pro-U.S. local forces can uniquely serve American interests. It feels security assistance is especially suitable as a quid pro quo for military base rights abroad.

What the Reagan administration has not considered, however, is that development aid, too, can be concentrated where it counts rather than scattered about the world for short-run political purposes. Also, foreign forces supported by U.S. security assistance may act in ways inimical to U.S. interests—as recent events in Lebanon so dramatically illustrate. The administration's dogmatic approach to foreign aid has prevailed in part because skeptics in the U.S. Government—who might have questioned the security assistance bias of the administration—have until now had little chance to state their case. The constellation of security assistance advocates in key positions in the State Department, at the Pentagon, and in the White House

have made the traditionally countervailing pressures from OMB and the Agency for International Development (AID) ineffective.

Early in the administration OMB Director David Stockman, after an initial confrontation with former Secretary of State Alexander Haig, Jr. over security assistance concentrated on cutting domestic programs—leaving security assistance in the same untouchable category as the defense budget. Stockman must now recognize that he made an irreversible mistake. Once an administration submits its initial budget proposals and defends them before the Congress and the people, it becomes locked into the priorities reflected by those proposals.

OMB's most critical problem in the Reagan administration has been its inability to turn to the President as a final arbiter on security assistance issues. Traditionally, OMB'S clout has been a function of its ability to take issues to the President, who often sides with OMB against program increases. The tradition has not held with President Reagan regarding security assistance. Moreover, key political appointees in OMB have been part of a network of pro-defense, pro-security assistance conservatives unlikely to challenge the State and Defense Departments and the National Security Council (NSC) staff on security assistance issues.

AID has been in an even weaker position than OMB. Operating initially under the policy direction of Haig—who favored security assistance—and of the undersecretary for security assistance, AID has had little choice but to accept the shift in priorities to security assistance.

The breakdown of certain key interagency processes that previously abated pressures for increased security assistance has reinforced the bureaucratic biases. The Reagan administration, for example, has not adopted the "future commitments" approval procedure of the Ford and Carter administrations—versions of which date back to the Truman administration. The essential feature of these procedures was that no U.S. Government official could make a formal or informal commitment to another government to provide financial aid of any kind—beyond that provided for in approved budgets—without presidential approval obtained through the budget director. In the absence of such a constraint officials can easily make promises that, however qualified, commit current and future administrations to assistance. Because of resulting expectations and the political consequences of failing to meet these expectations, even Congress finds it difficult to reject such executive commitments.

The Reagan administration has also scrapped two other procedures affecting levels of security assistance: first, the annual interagency analysis of the Middle East military balance and its security assistance requirements and second, the integrated review, under State Department leadership, of all foreign affairs budgets. The latter, an innovation of the Carter administration in its last year, forced the State Department to assess the relative importance of all foreign affairs programs—including the Department's own budget—given a certain budget ceiling. The Reagan administration has not set budget ceilings low enough to force tradeoffs among disparate foreign affairs programs not has it given the State Department the authority to conduct an integrated review.

The availability of off-budget FMS financing has been the most important reason for the administration's bias in favor of security assistance and for the acquiescence of the 97th Congress. Of the $5.4 billion in FMS aid proposed for fiscal year 1984, $4.4 billion would be financed by FFB loans. Outlays for these off-budget loans are not reflected in federal budget totals commonly debated in Congress. FFB-financed loans, therefore, are not reflected in the budget deficits and are not subject to tough scrutiny within the executive branch or Congress.

The Treasury must nevertheless borrow a dollar of FFB financing for an FMS loan in the same manner as a dollar for a direct FMS loan. Thus FFB-financed loans add to the burden that federal borrowing for budgeted programs places on the economy—particularly in the form of pressures on interest rates.

The use of off-budget federal financing was not intended when the authority to guarantee loans was written into the 1968 Foreign Military Sales Act. It was assumed at that time that FMS assistance would be largely financed by direct government loans appropriated by Congress, although the act included a provision allowing the Defense Department to guarantee loans financed by private financial institutions. The Budget Bureau, hoping to reduce claims on the federal budget, immediately encouraged the Defense and Treasury Departments to seek private financing. This early effort succeeded only partially as most larger banks involved in international financing feared the potential political repercussions of financing arms sales. These fears were apparently allayed with the creation of the FFB and the revision of the Foreign Military Sales Act in 1974 to allow the FFB to finance credit sales. Neither the executive branch nor Congress then realized, however, that FFB financ-

ing, beyond the reach of normal budget controls, would become the dominant form of FMS assistance.

The availability of unappropriated FMS financing insulates this major component of foreign aid from competition for scarce resources that appropriated foreign and domestic programs must undergo in the executive branch and Congress. The result is to skew decisionmaking in favor of financing that falls outside the budget, thereby encouraging the use of military sales as an instrument of foreign policy rather than other—perhaps more appropriate—forms of assistance that must be budgeted. That Congress is addicted to this off-budget drug is evident from security assistance hearings replete with favorable references to FMS-guaranteed loans that do not affect budget outlays.

The executive branch is no less dependent on unappropriated FMS financing. While OMB officials credit Stockman with an almost messianic commitment to ending such financing, he has had little success so far. OMB's leverage against program increases is often dependent upon the effects those increases have on immediate outlays. If, as in the case of FMS-guaranteed loans, the outlays are not part of the budget, OMB finds it difficult to reject proposed increases. In addition, OMB's periodic ratchet exercises—in which the staff identifies potential program cuts needed to limit outlays—exclude programs, such as FMS-guaranteed loans, that are not included in the budget.

THE FAILURE OF CONGRESS

It is easier to understand why the Reagan administration has proposed a 70 percent increase in security assistance than to explain the pusillanimous response of Congress. The explanation probably lies in the same acquiescence that led the 97th Congress to give away critical elements of the tax base and to go along with defense excesses. The change in the roles of the two houses certainly contributed to the new congressional attitude. For at least 25 years the Senate Foreign Relations Committee, under Democratic leadership, presented the strongest challenges to executive branch military aid programs. The House Foreign Affairs Committee, though also under Democratic leadership, was generally more sympathetic to military aid. With control of the Senate moving in 1981 to Republicans who felt obligated to support Reagan, the responsibility for scrutinizing security assistance passed to the House committee. Unfortunately, with the exception of the Subcommittee on Inter-American Affairs—which conducted hearings on security assistance proposals for Central America and the Caribbean Basin—the House Foreign Affairs Committee has not seriously challenged the administration's military aid programs.

Nowhere is congressional weakness more evident than in security assistance proposals for Israel. Even after the Lebanon invasion, Congress in the lame-duck session sought a $300 million increase in the administration's proposed $2.5 billion security assistance program for Israel. Strong but confused administration opposition helped to defeat this effort—but only at the cost of converting $250 million in loans to grants.

Presumably Congress behaves in this fashion because it believes the American people want it to. Public support for Israel, however, derives in part from a mistaken belief that Israel remains a beleaguered state surrounded by military superior and hostile Arab states. That myth will continue until Congress—through hard-hitting hearings on security assistance to Israel—educates the public. Surely, funds for Israel, which constitute over one-quarter of all U.S. security assistance funds, deserve such public review.

American security assistance also has undesirable effects on its recipients. Countries purchasing American arms on credit are accumulating enormous debts: The 1983 budget projected $12 billion in outstanding loan guarantees at the beginning of fiscal 1983, growing to $15.5 billion by the end of the year. If new guaranteed loans and direct loans requiring repayment continue in 1984 at the proposed $4.4 billion level, total outstanding loans will soon exceed $20 billion. Assuming a conservative average interest rate of 10 percent, annual interest payments alone would total $2 billion. This debt-service burden will increase dramatically as grace periods for payments on principal expire.

The worldwide economic recession—threatening bankruptcy for many developing countries—and growing instability in the international banking system require the United States to resist adding to the debt of economically troubled countries. Several countries with the most severe debt-service burdens in the world are recipients of FMS credits. Debt payments in 1983 are estimated to be 126 percent of exports for Israel; 79 percent each for the Philippines and Peru; 46 percent for Egypt; and 49 percent for South Korea.

The Reagan administration, nevertheless, continues to sell arms on credit—offering extended grace periods that delay payments on principal for as long as 10 years and final payment an additional 20 years. At today's high interest rates, interest charges alone may exceed the original face value of the loan before the grace period expires—as noted recently by the General Accounting Office in a report on military sales to Egypt. The equipment purchased under such agreements will have worn out or become obsolete by the time the loan is finally paid off at the end of 10, 20, or 30 years. If world inflation abates during the grace period, the recipient countries will be forced to reimburse the United States at high real interest rates. Countries struggling to recover from a worldwide recession will find such reimbursement extremely difficult.

Discussions with executive branch officials and perusal of congressional hearing and committee reports indicate that the U.S. Government gives little thought to the growing debt burdens of countries receiving U.S. security assistance. During the State Department's annual review of the proposed security assistance budget, for example, policy-level officials did not consider any comprehensive debt projections for the key recipient countries. Moreover, projected repayment schedules provided by the State Department to Congress in congressional presentation documents are incomplete and misleading.

MORE GROWING DEBTS

The U.S. security assistance program for Turkey clearly illustrates these failings. The fiscal 1983 congressional presentation document estimated that Turkey's payments on principal and interest due on FMS loans will total $135 million in fiscal year 1983—growing to $259 million by 1986. But these estimates only include payments due on loan agreements signed before October 1, 1981. They do not include payments that will be due on loans included in the $343 million in new 1982 assistance, in the $465 million in 1983 assistance, the $525 million in 1984 assistance, and in the undetermined amounts of assistance in 1985 and 1986. If the effects of new loans are taken into account, Turkey's total FMS repayments will very likely reach $320 million in 1986. As grace periods for payments on principal expire, Turkey's annual payments could exceed $500 million by the end of the decade if current levels of FMS financing continue.

Turkey's plight is even more dramatically illustrated by its dismay repayment record. As of September 30, 1981, Turkey had repaid only $65 million of the $1.2 billion principal on FMS loans extended up to that date. The balance—increased by new annual loans of about $500 million a year—and interest charges will place large claims against Turkey's future dollar earnings.

Turkey has long maintained military forces beyond its financial means because of NATO force goals and the country's continuing conflict with Greece over Cyprus. In the past, however, U.S. civilian officials and military planners have questioned the wisdom of maintaining over 500,000 men in the Turkish armed forces. Until recently, realistic appraisals of the military threat to Turkey—and of Turkey's likely role in hostilities not involving a Warsaw Pact attack on it—have confirmed U.S. beliefs that Turkish forces should be reduced. U.S. officials know that the costs of equipping Turkey's forces with modern arms exceed the most optimistic projections of foreign military assistance and available Turkish resources.

Turkish governments, however, have declined to reduce manpower levels—determined more by the socioeconomic needs for military conscription than by military need—and, instead, have pushed for more military assistance from the United States, West Germany, and other NATO allies. When outside assistance has not met Turkey's needs, the Turkish military have learned to live with continued obsolescence. This situation, not welcomed by U.S. defense planners, was virtually unchangeable while the Cyprus conflict remained unresolved and the Greek lobby blocked congressional efforts to increase military aid to Turkey. In addition, the Turkish economy was in such dire straits during most of the Carter administration that American attention and resources were almost exclusively concentrated on the Turkish economy.

In the last year of the Carter administration, however, the Soviet invasion of Afghanistan and events in Iran focused new military interest on Turkey. Its position on the flank of a hypothetical Soviet move toward Persian Gulf oil fields, strategic planners discovered, gave new importance to both Turkish armed forces and U.S. access to bases in Turkey. Thus during the Reagan administration requests for military aid to Turkey have increased over the $250 million level in 1981 to $465 million in 1983 and $755 million in 1984. This new military emphasis on Turkey, however, is ill-fated.

The Turks are unlikely to become involved—by contributing troops or by making their territory accessible to U.S. forces—in any Middle East war that does not directly threaten Turkish territory or involve the NATO alliance. Attempts to build up Turkey's military capabilities for contingencies in the Middle East not involving Turkey only delay the reconciliation of Turkey's military forces with that country's economic capacity, increase pressures for greater arms sales and financing, and burden Turkey with debts it cannot realistically expect to pay.

While Turkey is still in an early stage of dependence upon U.S. security assistance, Israel is a mature dependent—for all practical purposes permanently on the dole. The United States has spent over $15 billion to equip Israel with the latest U.S. weapons. Although only $6 billion of the total has been in the form of grants. Israel's repayments on the balance have been offset by grants in economic aid that exceed the value of the repayments. Effectively, therefore, Israel has paid nothing for its $15 billion in FMS purchases.

Senator Alan Cranston (D.-California), one of Israel's strongest supporters in the Senate, last year urged Congress to require that the annual level of U.S. economic assistance to Israel be sufficient to offset Israel's payments on military sales loans. Although the Cranston amendment did not become law—no authorization bill for foreign aid was passed by either house in 1982—it set the stage for a battle between Congress and the administration over aid levels to Israel. Israel clearly benefited from the battle: $250 million of the administration's proposed $1.2 billion in FMS credits were converted to grants—in that form of forgiven direct loans—raising total grants to $750 million.

America's extraordinary financial support for Israel's military forces bears little relation to any reasonable assessment of Israel's military needs. Before the 1973 October war, Israel received just $300 million annually in FMS credit financing. Following the war Israel received $2.2 billion to offset losses and to pay for a substantial build-up of military capabilities needed to correct weaknesses exposed during the war. During the following four years regular FMS financing was set at $1.0 billion annually despite constant Israeli pressures for increases.

The level of military aid for Israel was based on an interagency analysis of the Middle East military balance and of Israel's economic situation. These annual reviews—directed by National Security Decision Memorandum 315—concluded that Israel's military forces could defeat any feasible combination of Arab forces. On strictly analytical grounds, even $1.0 billion was deemed excessive; a reduction below that level, however, was considered politically impossible. President Carter breached the interagency consensus in 1981 when—responding to pressures from the Israeli lobby—he raised the 1981 request to $1.2 billion. Congress eventually appropriated $1.4 billion, which became the new base level for future appropriations. The Reagan administration has requested $1.7 billion for 1983—a level not based on a review of the Middle East military balance but rather reflecting the administration's perception of Israel as a strategic partner.

While Israel depended heavily for years on U.S. military and economic aid—which approaches $2.5 billion a year—the United States has not converted this dependence into effective leverage on Israeli actions. This is partially attributable to Israel's ability to order military equipment on a cash-flow rather than full-funding basis. This means Israel can place new FMS orders before Congress has appropriated credit financing; under a cash-flow arrangement Israel only needs funds to cover current payments as they come due. As a result of this system, Israel generally covers payments on past orders with credit financing appropriated for the current year. New orders are placed on the assumption that future FMS financing will be provided to cover the payments. The U.S. Government is effectively committed to cover the future payments since a cut in financing would leave American manufacturers with unpaid orders. This cashflow process flow process has largely eliminated American control of Israeli purchases except for high visibility items—for example, the F-16—requiring approval of the president and Congress.

The generous level of U.S. military aid and annual grants of $785 million in economic aid have also indirectly helped finance Israel's settlements on the West Bank. U.S. aid has relieved Israel of a major part of its defense burden—which in 1980 cost one-quarter of Israel's gross national product—and consequently has made the costs of the settlements bearable to the Israeli government.

Egypt is following Israel's route to endless and costly dependence. The Camp David agreement could have led to retrenchment in Israeli and Egyptian forces, but Israel used leverage in the negotiations to obtain new infusions of U.S. arms while the United States increased military aid to Egypt to convert Egyptian forces from Soviet to American weapons. Military aid to Egypt has increased from $550 million in 1981 to $1.3 billion in the 1983 and 1984 budgets—second only to Israel's $1.7 bil-

lion. Also following the Israeli pattern, some $400 million of Egypt's FMS financing is in the form of grants—direct credit for which repayment will be forgiven—and military orders are made on a cash-flow basis. By 1985 interest payments alone on FMS loans will amount to an estimated $450 million a year, contributing to Egypt's already severe debt-service burden.

The level of military aid to Spain is also troublesome. The United States recently agreed to provide $400 million annually in FMS-guaranteed loans to Spain as a quid pro quo for a five-year extension of the U.S.-Spanish military base agreement. In contrast, the previous agreement—concluded before Spain joined NATO—cost only $120 million in annual FMS financing. This extraordinary increase in military aid to a NATO ally—which hardly needs military aid on economic grounds—can be attributed in part to American failure to bargain for a better deal. The proposed financing level was actually included in the 1983 budget before negotiations on the base agreement were concluded. In addition, the $2.0 billion offer was almost certainly linked to U.S. desires to sell the F-18 to Spain and, more critically, to the availability of FFB-financed loans that would not show up in the budget.

The Spanish base agreement may cost more than $2.0 billion in the long term since it sets a precedent for base negotiations with the Philippines. After the Spanish agreement, Philippine President Ferdinand Marcos will expect more than the $100 million annually provided for in the last Philippine base agreement.

A PAINFUL ADJUSTMENT

Nothing would do more to bring rationality and a sense of proportion to the security assistance program than to include all FMS financing in the budget. Security assistance would then need to compete for funds with other foreign affairs programs as well as with defense and domestic programs. Such a move would force the executive branch and Congress to face the real costs of the program and to reassess its value.

If all security assistance funding were included in the federal budget, the amount of assistance would most certainly decrease as the more egregious elements were eliminated. With less credit available, some purchasers would either have to pay cash or forgo buying particular items from the United States. Cash payments would restrain countries from acquiring expensive arms and would force them to re-examine the true costs of their defense programs.

There is the risk, of course, that the U.S. share of the international arms market would be reduced if other suppliers were more willing to offer credit. But given U.S. political, military, and economic relationships with the purchasing countries and other Western suppliers, this problem should be manageable. Faced with strong pressures to continue subsidizing the American arms industry, U.S. political leaders would also find major reductions in FMS credit financing very difficult domestically. While Americans should be under no illusion that a major reduction in this financing would be painless, they should recognize that the consequences of the present course are even more painful.

Off-budget FMS-guaranteed loans could be terminated either by requiring that FFB funds be appropriated by Congress or by enacting a provision in foreign aid legislation prohibiting the use of FFB financing for military sales.

To be realistic, however, the Reagan administration is not likely to eliminate unappropriated financing for its favorite foreign aid program. Strong supporters of security assistance on the conservative right—together with the military and the arms lobby—would vigorously resist such an effort. Although it approved a partial conversion to direct loans, the Carter administration—even with its public commitment to restraining arms sales and its professed interest in more honest budgeting—proved unwilling to accept the additional budget outlays caused by converting all FMS-guaranteed loans to direct loans. The Carter experience suggests that nothing is gained by continuing a mix of on- and off-budget financing. When the latter is available the temptation to use it proves irresistible for both the executive branch and Congress.

Congress is also unlikely to terminate FMS-guaranteed loans since many members see them as a convenient means to fund security assistance programs without adding to the budget deficit. Senator Charles Percy (R.-Illinois), chairman of the Senate Foreign Relations Committee, however, has proposed legislation to include the FFB in the federal budget. Greater congressional and public awareness that Treasury borrowing for FFB-financed loans has the same effect on the economy as other federal borrowing will improve the prospects for terminating those loans.

In addition to resolving the question of FMS financing, U.S. policy makers need to focus greater attention on the long-range consequences of FMS financing for recipi-

ent countries—including the prospects for repayment. The economic viability and political stability of countries buying U.S. arms may prove as critical to their security as their military capabilities. The administration's interagency review of security assistance programs should include an analysis of the economy of each recipient country, including the effects of FMS financing on debt burdens. Congress should then require the administration to include the country economic analyses in congressional presentation documents so that Congress can better challenge security assistance programs.

The administration and Congress must also address the issue of impoverished countries clearly unable to pay cash for military purchases or bear the burden of high-interest guaranteed loans. During the Carter administration and the early Reagan administration, relief was offered by converting guaranteed loans to lower interest-bearing direct loans. Recently, however, there have been efforts to resurrect the grant military aid program (MAP). The administration's 1984 budget request for $706 million in grant MAP points to a major revival of that program.

Grant MAP was ended for good reasons. It encouraged countries to build military forces they could never expect to maintain with their domestic resources, and it distorted internal decisions in favor of military forces. In the 1950's MAP was an appropriate instrument for rearming America's West European allies and Japan—and later, Korea, Taiwan, Thailand, Turkey, and other countries that were not permanently dependent upon grant aid. MAP came to be regarded, however, as an expression of political favor rather than economic need.

Carter's firm decision to end MAP in 1981 was the culmination of a long struggle that began with former Secretary of Defense Robert McNamara's 1965 reappraisal of the program. To reverse that decision would reopen the door to costly mischief in the name of national security. It would be preferable to rely on concessional direct loans for which repayment can be forgiven as has been done for Israel and Egypt. Such loans—carrying temporary rather than long-term obligations—are justified for the most deserving countries because of their serious economic troubles.

Cash-flow funding of military sales must also be terminated except when specifically authorized by Congress. Policy makers must recognize the full costs of proposed programs by subjecting them to the regular authorization and appropriation process before the programs are approved.

With potential budget deficits for 1988 approaching $300 billion and with domestic social programs being slashed, the American taxpayer will not tolerate financing arms for foreign countries unless there is a demonstrated and compelling need. Moreover, greater public understanding of the effects of federal borrowing on interest rates and the threat high interest rates pose to economic recovery will jeopardize continuation of off-budget financing. In short, the security assistance program faces a troubled future.

Even with the suggested reforms—designed to adjust the security assistance program to the exigencies of an era of budget austerity—significant problems remain. Without a more fundamental reappraisal of U.S. interests abroad, the threats to those interests, and the proper role of security assistance both as an instrument of diplomacy and as an adjunct of U.S. defense programs, the United States cannot expect to make the best use of its resources.

Inescapably, that reappraisal must encompass justifications for U.S. security assistance to Israel since it consumes almost one-third of the program. Any review of assistance to Israel will raise issues of unusual political sensitivity. The Administration and Congress, however, cannot indefinitely avoid these issues without perpetuating a costly dependency and jeopardizing U.S. support for countries with more urgent security needs. Accordingly, the administration would be well advised to resume the practice of an annual comprehensive review of the Middle East military balance along the lines of National Security Decision Memorandum 315.

Finally, the reappraisal of U.S. interests abroad must include a broader reassessment of foreign policy and defense strategy. The government should no longer throw money at problems. Prudence and national interest suggest that U.S. programs for security assistance should not be exempt from more careful budget and policy scrutiny.

EXHIBIT 2

U.S. AID TO TURKEY, GREECE, AND CYPRUS,* 1970–84

[In millions of dollars]

	Greece		Turkey		Cyprus	
	Economic	Military	Economic	Military	Economic	Military
1970:						
Loans			73.7			
Grants		68.9	16.5	181.6		
Total		68.9		271.8		
1971:						
Loans		18.0	71.8			
Grants		83.7	10.9	214.4	1.2	
Total		101.7		297.1		1.2
1972:						
Loans		60.0	40.0	15.0		
Grants		50.8	26.9	208.2	4.3	
Total		110.8		290.1		4.3
1973:						
Loans		58.0	9.0	20.1		
Grants		22.1	13.9	225.1	2.1	
Total		80.1		268.0		2.1
1974:						
Loans		52.5		75.0		
Grants		15.0	5.5	115.8	1.1	
Total		67.5		196.3		1.1
1975:						
Loans		86.0		75.0		
Grants			4.4	34.1	25.9	
Total		86.0		113.5		25.9
1976: [1]						
Loans	65.0	156.0		125.0		
Grants		68.7			30.0	
Total		289.7		125.0		30.0
1977:						
Loans		122.0		125.0		
Grants		34.0	0.2		17.5	
Total		156.0		125.2		17.5
1978:						
Loans		140.0	.4	175.0		
Grants		35.0	.8	.4	15.8	
Total		175.0		176.6		15.8
1979:						
Loans		140.0	69.6	175.0		
Grants		32.3	.1	5.3	16.5	
Total		172.3		250.0		16.5
1980:						
Loans		145.1	123.0	202.9		
Grants		2.5	75.1	5.4	15.2	
Total		147.6		406.4		15.2
1981:						
Loans		176.5	66.0	250.0		
Grants		1.5	135.0	2.8	14.0	
Total		178.0		453.8		14.0
1982:						
Loans		280 0	100.0	343.0		

U.S. AID TO TURKEY, GREECE, AND CYPRUS,* 1970–84—Continued

[In millions of dollars]

	Greece		Turkey		Cyprus	
	Economic	Military	Economic	Military	Economic	Military
Grants		1.3	200.0	60.0	15.0	
Total		281.3		703.0		15.0
1983: [2]						
Loans		280.0	45.0	290.0		
Grants		1.2	200.0	112.75	5.0	
Total		281.2		647.75		5.0
1984: [3]						
Loans		280.0	75.0	525.0		
Grants		1.7	100.0	234.0	3.0	
Total		281.7		934.0		3.0

*Prepared by the Foreign Affairs and National Defense Division, Congressional Research Service.

[1] Includes transitional quarter.

[2] There are administration supplemental loan requests pending congressional approval for: $65 million in military aid and $55 million in economic aid to Turkey; $10 million for economic aid to Cyprus.

[3] Administration request.

Sources: Agency for International Development, U.S. Overseas Loans and Grants from International Organizations, annual reports.

EXHIBIT 3

STATEMENT BY THE HONORABLE RONALD REAGAN ON GREECE, CYPRUS, TURKEY

For the last quarter of a century, both Greece and Turkey have been close and valued allies of the United States. They also have been indispensable members of the Atlantic Alliance portecting NATO's southeastern flank. However, several disputes between Greece and Turkey have seriously damaged our alliance over the past several years; in particular, the differences regarding Greece's reintegration into the military command structure of NATO, the dispute about Cyprus, and conflicting claims concerning the Aegean continental shelf. These issues must be resolved before any real cooperation and lasting friendship can be achieved between Greece and Turkey.

In 1976, while campaigning for the presidency, candidate Jimmy Carter stated, "We would be negligent of the moral issues and courting longer-range disaster if we fail to couple the improvement in relations with Turkey with increased fair progress on the Cyprus issue." And in a news release dated September, 16, 1976, he declared, "The impasse on Cyprus must be broken. The United States must be prepared to work with others, including the United Nations, to insure the independence, territorial integrity and sovereignty of Cyprus . . . If and when I am elected President, I intend to enforce and carry out the provisions of the statement."

Given those words, one might have assumed that something positive regarding a settlement would have emerged by now. As in so many other cases of Carter's campaign declarations and promises, he reneged on his pledges.

I support the reintegration of Greece into the military command structure of NATO. A formula for reintegration was proposed in July 1978 by the then Supreme Commander of NATO and agreed to by virtually all members of NATO.

The reintegration of Greece into the NATO military command structure is of vital importance to the security interests of NATO and the United States. Greece's departure from NATO would isolate Turkey and put Turkey's defense position in serious jeopardy. Such a turn of events also would weaken the security of Italy and the Eastern Mediterranean in general.

The tragic situation in Cyprus has lasted six years. It must not continue. The foreign military forces on that island should be substantially reduced, and Cypriot refugees, be they Greek or Turkish, should be permitted to return to their homes and land.

I support the full implementation of unanimously approved United Nations Resolution 3212 of November 1974 which

"Calls upon all States to respect the sovereignty, independence, territorial integrity and non-alignment of the Republic of Cyprus and to refrain from all acts and

interventions directed against it; Urges the speedy withdrawal of all foreign armed forces and foreign military presence and personnel from the Republic of Cyprus, and the cessation of all foreign interference in its affairs."

As to the disputed territorial claims regarding the Aegean continental shelf, the best course in this situation would be to submit the claims to final and binding arbitration by an international tribunal, as has been done by other nations in similar situations.

CHRISTOPHER TO REAGAN

FEBRUARY 8, 1983.

The Honorable RONALD REAGAN,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: In the last several days, I have been deluged by letters and phone calls from every part of the United States protesting the proposed increase in aid to Turkey. The increase, amounting to $135 million dollars, is cited not only as an affront to an old and staunch ally of the United States, Greece, but also as further encouragement to Turkey to pursue aggressive measures that may lead to armed conflict. This continued tilting towards Turkey is cited as one of the reasons that there has been no progress with regard to the Cyprus problem.

When I was last in the White House, you mentioned to me that you had appointed a "task force" turned out to be one Reginald Bartholomew with whom I conferred while I was serving in the United Nations. As an example of Mr. Bartholomew's pro-Turkish position, he refused to allow an affirmative vote on a resolution which simply asked for the appointment of a committee to solve the question of the missing persons in Cyprus. The almost innocuous resolution was an indication of what the Greek-Americans could expect from Mr. Bartholomew.

Now, we have the intense aggravation of seeing the United States compound the grievous actions of the Carter administration actions Mr. President, which you pledged to correct upon your election to the Presidency.

I have related to you in the past that America's citizens of Greek origin; are predominantly registered in the Democratic party. Despite this, 90% worked hard in your behalf and in every store, in every shop, you had a campaign worker advocating your election.

As these protests come to me now, what shall I say? What reasons can I give for this complete reversal of your position?

Are there underlying reasons that we know nothing about? Is there any reason why we cannot at least hold the traditional 10-7 ratio?

I would appreciate it Mr. President, if you would take this matter under your personal control. The Greek-Americans of this country are sound constructive, patriotic Americans. But they are concerned that millions of our tax dollars are being given to a doubtful ally who has been historically against the United States, and is now using this aid to train its guns toward Greece.

As I make my rounds again, I too will need aid, moral aid from you Mr. President, so that I can explain this complete reversal from your amphatic statements during the campaign two years ago.

I hope that I am not being too bold if I respectfully suggest that you hold the proposed increase of aid to Turkey in abeyance until a more constructive solution is found. Time is of the essence.

Sincerely,

GEORGE CHRISTOPHER,
President, Christopher Commercial Corp.

Senator LUGAR. Thank you, Mr. Rossides.
Ambassador Hart.
[Biographical data of Ambassador Hart follows:]

BIOGRAPHICAL DATA OF HON. PARKER T. HART

Ambassador Hart was born in 1910 in Medford, Massachusetts. He was graduated from Dartmouth College and received a Master's Degree in Government from Harvard in 1935. He also studied at the Graduate Institute of International Studies in Geneva and graduated from The National War College in 1952.

Ambassador Hart served as United States Ambassador to Turkey from 1965 to 1968, and to Saudi Arabia from 1961 to 1965. During 1961 to 1962 he was also Minister to the Kingdom of Yemen, and from 1962 to 1963 Ambassador to the State of Kuwait. He was appointed Ambassador to Jordan in 1958, but was unable to present his credentials because of the federation between Jordan and Iraq. He also served in Damascus (as Minister and Consul General), Cairo (as Deputy Chief of Mission), Para, Brazil and Vienna. He was detailed to the Founding Conference of the United Nations Organization in San Francisco in 1945. He opened the United States Consulate in Dhahran in 1944 and served as Consul there from 1945 to 1946, returning as Consul General from 1949 to 1951.

Ambassador Hart has also served the Department of State in Washington in a variety of capacities. He was Director of the Foreign Service Institute from February to September 1969, Assistant Secretary of State for Near Eastern and South Asian Affairs from 1968 to 1969, and Deputy Assistant Secretary in the same office from 1958 to 1961.

He was Director of the Office of Near Eastern Affairs from 1952 to 1955, and served with the Division of Foreign Service Planning from 1947 to 1949.

Among his Board and Committee memberships are: Vice-Chairman, Board of the Institute of Turkish Studies; Board of the Center for Contemporary Arab Studies, Georgetown University; Visiting Committee on Near Eastern Languages and Civilizations, Harvard University; Founders' Council and Board, Institute for the Study of Diplomacy, Georgetown University; Board of Advisors, the American-Arab Affairs Council; Board of Trustees (Emeritus) of the American University of Beirut; Board of Governors (Emeritus) of the Middle East Institute.

Ambassador Hart retired from the Foreign Service on September 30, 1969 to assume the presidency of the Middle East Institute, a position which he held until March 1, 1973 when he became Special Representative for the Middle East and North Africa, Bechtel Corporation, San Francisco. Since his retirement from Bechtel, he has been a part-time consultant for that corporation and for other companies doing business in the Middle East.

Ambassador and Mrs. Hart, the former Jane Smiley, have two daughters, both married.

STATEMENT OF AMBASSADOR PARKER T. HART, FORMER AMBASSADOR TO TURKEY, 1965–68, RETIRED CAREER FOREIGN SERVICE OFFICER

Ambassador HART. Mr. Chairman, I really appreciate being invited to testify before this committee on security assistance programs for Turkey.

I warmly support the administration's proposal, and in particular the figure of $755 million in military aid for fiscal year 1984. I consider this only a first step toward rehabilitating the defense capabilities of the second ground force in NATO. It is, at best, an updating of obsolescent or obsolete equipment for which spare parts manufacture in the United States is rapidly phasing out or has already disappeared.

Examples are the upgrading of the M–48 tank, which was introduced as an already aging item when I was Ambassador in the period 1965 to 1968, the F–100, the F–104, the F–4, and the F–5 aircraft, which came in while I was there, and the improvement of service capability of World War II vintage naval vessels.

After this necessary and urgent program is completed in a few years' time, I am assured by competent United States military specialists that Turkey's forces will still be a decade or two decades behind the state of the art. In other words, we are just beginning here a long neglected correction to a protracted period of neglect punctuated by the very ill-advised arms embargo of 1975 through 1978.

American arms programs to Turkey, Mr. Chairman, are not a giveaway, but an investment in the American security interests in

an area where American forces could not possibly be deployed in adequate strength or otherwise at unreasonable cost. You have heard the comparative figures, $60,000 to equip and maintain one American soldier in Turkey, $9,000 for one Turkish soldier, and the Turk knows the language and the terrain.

What is the threat? Well, history and today's facts are the guide. First, a long border with the Warsaw Pact, hundreds of winding miles on land with Bulgaria on the west and the U.S.S.R. in the east, plus a Black Sea frontage of nearly 1,000 miles. Bulgaria's divisions equal in number, I recall, those of Turkey, and can be readily reinforced by Soviet elements. The U.S.S.R. has at least twice the number of Turkish soldiers deployed within ready attack positions in the Soviet southwest and the Caucasus, plus overwhelming air and naval strength.

It is not today's intentions which count at the Supreme Allied Command headquarters and the Turkish command integrated into NATO, but capabilities.

Second, Turkey's military planners must take into account its southern neighbors, which have inventories of the latest Soviet materiel and a close military supply relationship with the U.S.S.R., and all of this, regardless of present cordial diplomatic ties.

Third, Turkish military planners have also to consider what might happen in a post-Khomeini Iran should a Soviet-backed party seize power and invite in both the supply system and Soviet forces. This happened at the end of World War II; and the "right" as it was called of Soviet intervention in northern Iran set forth in the 1921 treaty between the two countries has never been retracted by Moscow.

Turkey remains an integral part of NATO, paying its own full share of defense regardless of the degree of our aid. It dedicates to its defense 5.3 percent of gross domestic product. Yet its per capita GDP is $1,286 as of 1982, incidentally, one-half that of Greece.

Turkey has struggled over the last decade with these burdens, despite our embargo and a foreign instigated and supplied reign of terrorism which nearly brought civil war. Parliamentary government had been paralyzed for nearly 1 year when the general staff took power on September 12, 1980. It acted under its traditional mandate as guardian of the Ataturk reforms. These are the fundamental law of Turkey.

Constitutions can change, but not these fundamental laws. There began then a cleanup which resembled a protracted military campaign against leftist and rightist extremists, in effect, Communists and Fascists, particularly the former. Up to last October, 822,632 weapons had been seized by the Turkish army from the proclamation of martial law in 1978, and 96 percent of these were taken since 1980.

The overwhelming majority of Turks voiced relief, and over 90 percent of the Turks have now endorsed a referendum on the new constitution. Elections are promised by this fall, and parliamentary government with a stronger executive than before will then replace the military government.

I have looked over the constitution. It will be a combination of a Presidential and parliamentary system. It has been a rough period, but economic reforms have also brought new encouragement to

free enterprise and a huge spurt of private industry. The Turks' economic crisis is far from over, but it has been greatly alleviated, and its credit now is good, and that is why the present submission before you drastically lowers the figure for economic support as compared with fiscal 1983.

I would also point out that Turkey has developed a sensitive and very useful role in its Islamic neighborhood among countries with which the United States has little or no influence because of lack of diplomatic ties, as with Iran, Iraq, and Libya, or because our motives are distrusted, as with Syria.

Turkey has long attempted to mediate an end to the Iran-Iraq war; has kept a friendly relationship with both sides, and has concluded trade agreements with Syria, Libya, and Iran and Iraq. It keeps itself out of and above inter-Arab quarrels, and preserves diplomatic ties with Israel.

Now, I have heard the arguments against this aid program from the Greek side. Greece to me is an essential member of NATO, and very essential to it and U.S. security interests. The differences it has with Turkey are resolvable by negotiation or by arbitration. They are not to be helped by a partisan stand by the United States which could only raise the bidding, and if a new embargo against Turkey were applied, or a reduction of military aid, this would disastrously injure NATO, and therefore the U.S. security system in which we have invested countless resources, and which has preserved the European peace for 30 years.

I would like to add, with the Chair's permission, the comment that I yesterday spoke by chance with my friend, Gen. Lyman L. Lemnitzer, former Supreme Allied Commander. He told me, if you are going up there, please use my speech. It is a speech he gave on February 4 before the American Friends of Turkey. He wanted me to add one more comment, and that was that in no place in NATO, in his view, could money be better invested with productive results for the United States than in Turkey.

So, with the Chair's permission, I would like to leave copies of his speech as an extension of my own longer presentation, which you have on record and which I would like to have entered into the files.

Senator LUGAR. Without objection, that will be made a part of the record.

[Ambassador Hart's prepared statement and the speech of General Lemnitzer follows:]

PREPARED STATEMENT OF HON. PARKER T. HART

TURKEY AND AMERICAN SECURITY INTERESTS

Just short of 2 years ago, I had the honor of appearing before this committee as a private supporter of U.S. assistance to Turkey. Today, I am pleased to be invited to return. I support the Administration's request for fiscal year 1984 and am glad to affirm that I believe American assistance given Turkey since the 1978 lifting of the 1975 embargo has been spent in the broad American and NATO security interest. Turkey's economic recovery, while far from complete, has made remarkable strides and what is perhaps best in this picture is that this progress has been accomplished by the private sector fully encouraged by the military government. In fact, 60 percent or better of all industrial production and of all exports is generated by free-enterprise industry representing a profound shift in traditional Turkish economic philosophy. As a result, this year's submission to the Congress lowers considerably

the figure requested for Economic Support Fund assistance from $350 million for fiscal 1983 to $175 million.

Turkey long has a backward farming economy dependent on exporting unprocessed or semi-processed agricultural products, with individual initiative almost strangled at birth by denial of entry into areas governed by bloated and unprofitable state holding companies. Its economic reforms, begun under the Demirel government in January 1980, have at last borne some real fruit. Turkish labor in central Europe was and still is an important but volatile source of scarce foreign exchange. The new factor is that, today, Turkish contractors and engineers compete in engineering and construction contracts in the fast developing Arab East. Their revenues run into billions of dollars per year and have greatly helped, although far from solved, the foreign exchange problem. Turk, in effect, have become international businessmen and being overwhelmingly Muslims, can do a job in Mecca or al-Madinah to which no non-Muslims can have access. Still, the Turkish economy is a tender plant, and the foreign debt, while not of the dimension of Mexico's, Poland's, or Brazil's is still a problem.

The main submission before you is, therefore, for military assistance. The request for $755 million is almost double that of fiscal year 1983. I believe this is fully warranted, given the inescapable role of Turkey in our own and NATO's security interests in the region. This request takes a positive, but modest, step to make up for the years of the American embargo and its nearly disastrous effects on the defense capabilities of this second largest force in the North Atlantic Treaty Organization.

Mr. Burt's and Mr. Perle's testimony make it redundant for me to point out here how very sensitive and vulunerable is the southeast flank of NATO, how unstable is the Eastern Mediterranean and Southeast Asia, and how foolhardy would be a complacency over the temporary world oil abundance and ignore the importance to our common security of Persian Gulf Oil.

What we are programming here, as I understand it, is an attempt to update essentially obsolescent ground, air and naval equipment for which production of spare parts has already vanished or is rapidly phasing out in the United States. Co-production will be emphasized I am glad to see, as I used to argue for this when I was Ambassador. The fact remains that even when this program is completed Turkey's forces will be a generation behind where they should be facing the Warsaw Pact. Their materiel will be far behind that of Israel, for example, and the grant increment of our request less than half of what was recently voted for Israel.

I have heard the arguments which have been advanced against this program. None of them, to my mind, speak to the essence of America's security interest in a region long characterized by a preponderance of Soviet power, close at hand and with excellent capability to project itself rapidly onto the scene. I include in my estimate, of course, the Greek interest.

Greece is an essential part of NATO and in my personal view it can never serve Greece's security to leave NATO, nor to weaken it. Together, Greece and Turkey are the guardians of the Black Sea Straits and its approaches. If either is seriously hurt, automatically the burdens of defense placed on the other becomes perilously great. Both have borne this burden heavily out of their own pockets, not just with our aid. Unlike some NATO countries, they have not welshed on their commitments of national resources to defense. Greece averaged just above 6 percent of Gross Domestic Product dedicated to defense between 1975 and 1980. Turkey averaged in the same period 5.3 percent. Comparable figures for 1982 were 6.9 percent for Greece and 5.3 percent for Turkey. However, Greece's per capita GPD in 1982 was $3,792; Turkey's was $1,286. The percentages of total budget dedicated to defense in 1982 were 21.2 for Greece, 22 for Turkey.

In the overall sense, Turkey faces more threats, has more space to defend and has one-half the per capita GDP of Greece. It also has had to struggle with internationally supported terrorism on a scale no country has experienced in decades. As of the last Turkish National Day, October 29, 1982, the Turkish forces had seized 822,632 weapons, starting from the 1978 declaration of martial law. Ninety-six percent of these were collected since the military took power Sept. 12, 1980.

Following extensive debate on provisions by the Consultative Assembly, a new constitution was approved by over 90 percent of Turks in a referendum of last November. A parties law and an election law are about to be approved by the Assembly and it is expected that parliamentary government will be installed after elections in the fall of this year, thus ending military rule.

The situation on fundamental laws in Turkey is not generally understood in the United States. The mission of the Turkish Army, it should be noted, is traditionally that of guardian of the eight Ataturk reforms which constitute the basic, unalterable law of the Republic; this in addition to the defense of the country against exter-

nal attack. Constitutions in Turkey can be changed, but not the Ataturk reforms. The Turkish forces headed by the chiefs of staff have no desire or mandate to govern Turkey. Three times since the Republic they have intervened, then released power to elected civilians. Faced with a state of near civil war in 1980, and with total parliamentary paralysis they acted after several warnings were ignored by the parties in power and by the opposition. The hour was late for Turkey and overwhelmingly the population greeted the Army's move with relief. Turkey's is a very special case and parallisms with Middle East neighbors, with Greece's recent experience with a junta, or with Latin America are totally misleading. Turkey's President Kenan Evren will be a stronger executive by constitutional perogatives than past presidents since Ataturk died, and the chances are better for democracy in Turkey to mature in greater stability and material progress.

Both Greece and Turkey face very uncertain and potentially hostile Warsaw Pact neighbors: Greece and Turkey look at Bulgaria, a historically faithful ally of Russia. Bulgaria has a central role in assisting the Communist uprising against Greece at the end of World War II, and has almost certainly been a supplier of arms to terrorism in Turkey until the military takeover of 1980. Its armed potential is disproportionately great for mere defense, even without Soviet reinforcement which could arrive very rapidly. Its total of standing divisions, in my recollection, is equivalent to those of Turkey.

Whatever Bulgaria's current intentions, or Soviet intentions may be toward Greece and Turkey it is absurd for anyone to declare that the threat to Greece comes not from the north but from the east. There is a syndrome of lasting distrust between these two allies, as we know from long ago. There is an unresolved dispute between Greece and Turkey over the Aegean continental shelf, over the extent of territorial waters around Greek Aegean islands, and over the extent of Greek sovereignty in the air space above those islands. However, there is no serious dispute over Greek-Turkish land boundaries and there is no claim by Turkey, nor I feel sure, any ambition to make claims against Greek soil. The problem we see has been the subject of direct negotiations for some years. I am aware that these have had little result. I am also aware that the present Greek Government broke them off last November on a charge of Turkish intrusion into air space claimed by Greece. This air space is disputed and it is not a matter on which the United States could take sides without damage to NATO, nor could the United States or NATO guarantee one ally against so-called aggression by the other, particularly as the price of U.S. base privileges or of one of the parties remaining in NATO. This would make a mockery of the alliance structure and ensure the disintegration of the southeast sector.

By the same token, I find it unreasonable for the United States to be asked to guarantee a set ratio between these two allies in the amount of arms aid given. This binds our hands, affording a built in power to one of our allies to limit or eliminate our aid to the other. Actually, Greece has a small edge in strength in terms of sea and air power in the Aegean, according to competent U.S. military sources.

Greece's air force, bolstered with French Mirage fighters, is more modern than the aging Turkish complex of obsolescent American F-100's, F-104's, F-4's and F-5's. As for talk of a Turkish "Aegean Army," I am told on good U.S. military authority that it amounts to at most 20,000 men, spread over Western Anatolia and is hardly organized into one division. As for Eastern Thrace, the Turkish First Army has been there for many years to watch Bulgaria, as the Supreme Allied Command has directed. It is simply following instructions as a member of the integrated NATO force structure. Turkey's larger ground forces are preponderantly deployed in the East, for obvious reasons.

While Turks primarily face Warsaw Pact forces, they must also take into account existing force structures in states to their south regardless of the current peaceful, even friendly attitudes of the governments of those countries. Such attitudes could shift with or without a change of regime and they both have a special dependency on Soviet weapons. Syria and Iraq have in inventory a considerable supply of very modern Soviet materiel and in Syria's case, a large number of Soviet military personnel.

A Turkish military planner must also take into account what could happen in Iran if a post-Khomeini regime were captured by the Tudeh Party or other Soviet front organization and were to receive a massive infusion of Soviet materiel and training, plus Soviet military units to bolster the hold of its surrogates on power. The scenario is not far fetched. It happened in Iran in 1946. What the Turks would do about such a situation would be up to them to decide, since the theatre is outside that of NATO itself, but the potential threat is a multiple of what Greece faces.

I am aware that a degree of balance of forces in the Eastern Mediterranean is written into our legislation on military assistance. I am not sure this was wise. The balance we should be focusing upon in my view is not between Turkey and its disaffected ally Greece, but between both and the Warsaw Pact, and between Turkey and other potential adversaries in the area, all in the framework of free world defense.

Above all, Turkey has a direct frontier with the U.S.S.R. and a history of Czarist and Soviet claims on its territory. A very watchful effort to be civil but firm with the northern neighbor has characterized Turkey policy over decades. That this is not an easy border situation, but heavy handed on the Soviet side I was able to observe years ago in a 1966 auto tour of Igdir, Kars, Hopa and Sarp. Last August, two Turkish soldiers were shot in the back by Soviet frontier troops near the border town of Cildir. Allegedly, they had crossed the line and were allowed to bleed to death, medical care being denied them by Soviet warning gunfire. All this despite a treaty mechanism between Turkey and the U.S.S.R. providing for a peaceful settlement of such incidents. The U.S.S.R. endeavored to preempt complaint by filing the first protest.

I have also heard the objections of those who say we must reduce arms to Turkey to force its troops out of Cyprus. I submit that this problem is not in our hands, nor is it to be solved by harming NATO. With both communities on the island pledged to continue the inter-communal talks under U.N. auspices and with guidelines agreed to by the late Archbishop Makarios and Turk-Cypriot leader Rauf Denktas (later by President Kyprianou with Denktas) it is not going to help if the United States wades in again and tries to penalize one side in response to appeals by American partisans of the other. This problem can be settled when the two sides come to view the painful concessions indispensable to agreement as preferable to the current standoff.

I add one final consideration. This concerns Turkey's role as a bridge between the world of Islam and the West. In the aftermath of World War I, Ataturk felt that Turkey's future lay in Europe. So Turks, ever obedient to this founder and idol of the Republic, are "going West" although well over 90 percent of Turks are Muslims. What is new in recent years is a far more sensitive Turkish appreciation of its Islamic neighbors than was the case in the first four decades of the Republic. Turkey has become a cultural communicator and explainer of the West to Muslim states convulsed by war, revolution or the trauma of social change. Witness Iraq and Iran, locked in the most disastrous war the Middle East has seen. Turkey mediates, keeps it neutrality and is a valued friend to both, if for no other reason than its offer of overland trade routes and its understanding of local sensibilities. Turkey is a valued member of the Islamic Conference Organization founded in Saudi Arabia. It trades with Libya and its Foreign Minister, Ilter Turkmen, has just visited Qaddhafi, very probably one of the few voices of reason this dictator will listen to. It is encouraging that a Syrian economic minister recently visited Ankara and concluded a trade agreement, despite Turkey's friendliness to Iraq and a long-standing Syrian-Turkish dispute over the Hatay.

Turkey accomplishes tasks in pursuit of peace in the areas which are largely beyond our capabilities, either because we have no diplomatic relations with the states concerned, as with Iraq, Iran and Libya, or because our motives are not trusted, as by Syria.

Turkey is a good investment by the United States. We could well listen to its advice.

I warmly urge we keep up the aid in all categories, but especially in defense.

REMARKS BY GEN. L. L. LEMNITZER, U.S. ARMY (RET.), BEFORE THE ANNUAL AMERICAN FRIENDS OF TURKEY CONFERENCE, HYATT REGENCY HOTEL, ARLINGTON, VA., FEBRUARY 4, 1983

I am very pleased to be invited to participate in this Annual Friends of Turkey Conference and I welcome the opportunity to discuss briefly the subject of Turkey from the military viewpoint of NATO's Supreme Allied Commander Europe.

It has been my good fortune to have been associated with the Armed Forces of Turkey over a very considerable period of time—34 years to be exact.

Since World War II, Turkey has been one of our closest and most effective Allies. In the late 1940's we adopted the policy under the Truman Doctrine to assist in the re-armament of both Greece and Turkey. During that period I was the first Director of the United States Military Aid program and much of our attention and effort were devoted to the re-armament of Turkey.

During the Korean War and for many years thereafter, Turkey provided a Brigade to the United Nations Command which was the largest force provided by any other nation, except the United States, in support of the operations of the United Nations Command in Korea. The Turkish Army forces were considered to be among the most effective of all the national contingents in the United Nations forces.

It was during that period and subsequently during my tenure as Army Chief of Staff, Chairman of the Joint Chiefs of Staff and Supreme Allied Commander Europe that I maintained very close contact with Turkish Armed Forces through General Sunay during his successive assignments as Turkish Army Chief of Staff, Chief of the Defense Staff and as President of Turkey.

During my 6½ years tenure as NATO's Supreme Allied Commander Europe, I devoted much of my attention to NATO's Mediterranean and Southeastern flank. I participated personally in resolving the crises of 1964 and 1967 when it appeared that Turkey, as guarantor of the independence and territorial integrity of Cyprus under the Treaty of London, considered the provision for moving her armed forces into Cyprus to protect the Turkish Cypriots.

In the late 1950's the U.S. Army developed and perfected the Jupiter missile, the first long-range guided missile—the first MX of its day. After long planning studies and discussions, the United States made Jupiters available to NATO and it was decided to deploy them in the Mediterranean and Southeastern areas of NATO.

The situation confronting the United States and NATO at that time was very similar to that which exists today regarding the deployment of NATO's Intermediate Nuclear Force (the INF—consisting of Pershing II and Land-Based Cruise Missiles) in Central Europe. At that time both Italy and Turkey courageously agreed to have the Jupiter missiles deployed in their respective countries where they remained until 1963 when their defensive mission was taken over by Polaris submarines which were made available to NATO's Supreme Allied Commander Europe.

In the late 1970's, trouble again erupted in Cyprus and the Turkish Army landed in Cyprus to carry out its guarantor role under the Treaty of London.

As the result of this development, the U.S. Congress took the ill-advised action of imposing an arms embargo against Turkey with the announced intention of forcing Turkey to withdraw its forces from Cyprus. The embargo, however, proved to be unworkable and worsened the very situation it was intended to resolve. Turkey hardened its position and was not willing to negotiate the Cyprus problem under the duress of an arms embargo.

Since practically all Turkish military equipment has been obtained from U.S. sources, the denial of new equipment, spare parts and replacement items resulted in serious deterioration and effectiveness, maintenance and repair of Turkish military forces during the more than 3 years that the embargo was imposed. The arms embargo and the reaction to it greatly weakened U.S. and NATO influence in the Eastern Mediterranean and troubled Middle East.

During that period, I and other Defense officials appeared repeatedly before Congressional Committees urging that the embargo be lifted. As an indication of how important we regarded the issue and how much damage was being done by the embargo to NATO and United States interests, five former NATO Supreme Allied Commanders Europe combined our efforts in a single letter which we sent personally to every member of Congress on 1 June 1978 urging that the embargo be removed immediately. This letter was signed by Generals Ridgway, Gruenther, Norstad, Goodpaster and myself, whose tours of duty as Supreme Allied Commanders Europe covered a period of 25 years.

I know of no way better to emphasize the extreme military importance of Turkey to both NATO and the United States than to present parts of that letter which we were informed made a great impression on the members of Congress and was a major factor in the removal of the embargo in 1978.

First, we pointed out that a most serious deterioration had taken place on NATO's southeastern flank as the result of the sharp decline in Turkish military capabilities. Accordingly, we felt that the whole of Southeastern Europe and the Middle East would become much more vulnerable to Soviet military pressure.

Secondly, we emphasized that Turkey is vitally important to our Western collective security in that:

a. Turkey controls the passage of Soviet war vessels from the Black Sea to the Mediterranean, the Indian Ocean and the Persian Gulf which would be a major factor in the conduct of naval operations in those areas.

b. Turkey houses large numbers of strategically important U.S. and NATO facilities, some of which are uniquely situated for collecting intelligence on Soviet military activities. There is no area in the world comparable to Turkey as a vital base for intelligence gathering operations against the Warsaw Pact nations. The United

States has spent many millions of dollars in equipping the various intelligence bases which were shut down during the embargo.

c. Turkey provides an important air defense warning critical to the safety and operation of the United States Sixth Fleet in the Mediterranean.

d. Turkey provides a major contribution of army forces to NATO which are vital to the security of NATO's southeastern flank.

In summary then, Turkey occupies a most important strategic position in the geographical area of the Atlantic Alliance and its Armed Forces are vital to the defense of the southeastern flank of that Alliance. Today, however, Turkey's Armed Forces are very much in need of modernization and I hope that the United States and its NATO Allies will, through military aid and military sales, continue to assist in building up the military strength of Turkey—one of our most faithful, loyal and reliable Allies.

Senator LUGAR. Thank you very much, Ambassador Hart. We appreciate your testiony.

General Knowlton.

STATEMENT OF GEN. WILLIAM A. KNOWLTON, U.S. ARMY (RET.) FORMER COMMANDER OF ALLIED LAND FORCES SOUTHEAST (IZMIR, TURKEY 1976–77)

General KNOWLTON. Thank you, Mr. Chairman.

I will not go through the testimony I have left with you verbatim because much of it was covered by Secretary Perle and Secretary Burt earlier, but I do want to reiterate a couple of points.

The first is, as I mentioned, that wonderful poem we had to learn in our youth written by Oliver Wendell Holmes entitled "The Wonderful One-Horse Shay," where every part of that nice little wagon was made so well that the whole thing disintegrated simultaneously in a cloud of dust. That is, in effect, what is happening to the Turkish armed forces.

Their equipment is basically post-World War II, Korean war vintage. It is acquired over a period of time, but it is all largely of the same generation. What this has meant is that it has all become obsolete simultaneously.

For much of this equipment, we no longer manufacture spare parts. They do, however, and the result is that some of the ancient equipment is running in Turkey when it no longer runs in any other country, but advances in technology have meant their army is gradually progressing from that of an obsolescent army to an obsolete army.

The need for modernization is fast and stems from the early period in which it was equipped, not from any lack of maintenance ability on their side.

The second point I want to make in my testimony was addressed to the geography of Turkey. Turkey is a much larger country than any of us realize because we do not often look at the scale on the map when we see a map of Turkey on one page in a book. If one superimposes Turkey on a map of Europe, you have the eastern boundary at Berlin and the western boundary in Dublin, Ireland.

When I used to send my trailer out to maneuvers in eastern Turkey from my headquarters in Izimr, it was a 1,000-mile trip. At the same time, Turkey has three boundaries with countries not in NATO. In the northwest they share with Greece the boundary with Bulgaria, and a short distance from that border downhill to the very important city of Istanbul on the Turkish Straits.

Way out on the northeast they have a border with the Soviet Union next to a border with Iran, and the distance between these two borders, west and east, that I have talked about is such that reinforcement mutually between the two areas is nearly impossible; and thus Turkey must have in essence two totally separate armies to deal with these two totally separate defense problems.

Then there is the third set of borders on the southeast, which encompasses the long border with Iraq and Syria. The Turkish armed forces organization is parallel to the requirements of those three sets of frontiers, and I will mention that a little later.

In the early days of NATO, much of the emphasis in planning was on the Turkish straits. The eastern part of Turkey was not noticed as much. By the time I arrived in 1976, it was apparent to me much more attention should be given eastern Turkey, that very important piece of terrain lying between the Soviet Union and Syria and Iraq, both of which are equipped with rather modern Soviet equipment.

So, during my tenure, both NATO and Turkish headquarters began to focus much more planning effort on the defense of eastern Turkey. There are a lot of things which make that very complex. It is not only distance from the more modern, populated parts of Turkey in the west, but it is more sparsely settled.

It lacks a great deal of the infrastructure, and as though that was not enough, the demise of friendly government in Iran confronted Turkey with a problem it didn't have before, that is, the possibility of an attack into Turkey from the Iranian frontier.

I don't mean necessarily that Iran might attack, but we only need to go back to 1946 to point out that when the Soviet armored forces invaded northwest Iran, they went to Tabriz, turned right and headed toward the Turkish border. The deployment of Turkish forces in eastern Turkey was not prepared for that eventuality.

The need has now become greater for the modernization of those forces and for the means particularly to move their infantry to the critical defiles that control access to the area.

The third item I want to address myself to has to do with certain misperceptions in the press, which I read quite often here and about which I have some personal knowledge. The first is the headquarters, which is called the Aegean Army. This is very much a misunderstood headquarters, and I would like to explain it in context.

I think that we can look at Turkey as being divided into four quadrants. I have already mentioned that the northwest involves the boundary with Bulgaria and has a Turkish Army there. The northeast has the border with the Soviet Union and the traditional invasion group from Russia. There is another Turkish numbered army in that quadrant. The third quadrant is the southeast quadrant and the very long border with Syria and Iraq. There is another numbered army, albeit a smaller one, entrusted with the defense of that very long border.

That leaves us with the southwest quadrant, where my headquarters in Izmir was located. Traditionally, there has never been an army headquarters in that area because there was a faithful NATO ally adjacent to it and there was no need for such a headquarters. The weather is good in that quadrant. There are a large

number of Turkish training installations and Turkish pilot training airfields found there.

After the Greeks withdrew from the military side of NATO and Greek personnel withdrew from the headquarters in Izmir, the Air Defense Headquarters, which means a NATO air defense command post 24 hours a day outside of Izmir, found itself relatively blind beyond the Turkish coast in that quadrant. When it became apparent that Greek personnel were probably never coming back to the NATO headquarters in Izmir, the Turks decided as a minimum they needed a planning headquarters to plan for the defense of their newly-uncovered coast.

The training installations, the pilot training fields were far too important to be left to chance; so what was created what was called the Aegean Army. Because I was stationed in Izmir, I had a chance to see this headquarters at relatively close range.

It is not an army headquarters in the sense the other three armies are. Those three armies are committed to NATO, and all divisions of the Turkish Army except two are committed to NATO. The Aegean Army is, I repeat, a planning headquarters to plan for the defense of the coast. I stress this because I keep reading in the United States press about Turkey having an invasion army poised to invade Greece or the Greek Islands. To me that is utter nonsense.

In the first place, the vast bulk of the Turkish Army is committed to NATO, not poised to invade anyone. I have never visited a NATO-committed unit which was not precisely where it was supposed to be doing precisely what it was supposed to be doing. In fact, I think that is one reason the Turks did not give a number of the Aegean Army and call it a fourth army, but called it instead by a different name.

The second thing is I do read occasionally that a lot of these forces, Greek and Turkish, are posed solely to face each other. I know that is not so on the Turkish side. I suspect it is not so on the Greek side. The 1st Army, which was opposite the Bulgarian border, I used to inspect constantly. There defense positions, their defense plans, their actual training locations, they are all based against the defense of that border because of the very short distance from there back to Istanbul.

Thank you, Mr. Chairman, for permitting me to talk about these things. It was a pleasure to be here this afternoon, and I feel better having gotten those off my chest.

[General Knowlton's prepared statement follows:]

PREPARED STATEMENT OF GEN. WILLIAM A. KNOWLTON

I am William A. Knowlton, General, United States Army Retired. I appreciate the opportunity to testify before this subcommittee today, on behalf of the Foreign Military Assistance Program. While I support the program as constituted and have a great interest in each of the various countries such as Portugal, Greece and Spain, I am particularly interested in the portion dealing with Turkey and will confine my prepared comments to that country.

In 1976 and 1977 I was the NATO Commander of Allied Land Forces Southeast Europe. My headquarters was in Izmir, Turkey. In theory, this headquarters commanded the three Turkish Armies and one Greek Army. In actuality, during the time that I was in Izmir. the Greeks had withdrawn their forces from NATO command and had withdrawn their officers and men from my headquarters in Izmir, Turkey, although Greek military personnel remained at all the other NATO head-

quarters above us in Naples, in Mons, Belgium, and at NATO Headquarters in Brussels, Belgium. From 1977 to 1980, I was the American Representative on NATO's Military Committee in Brussels, the highest military authority in the Alliance. In that capacity, I also dealt with the problems of Turkey and its Armed Forces. For those reasons, I would like to testify briefly on three different subjects:

First, some observations about the Turkish Armed Forces and their equipment;

Second, some observations on Turkish terrain and the importance of the southeast flank of NATO; and

Last, on a misapprehension which I see often expressed in our press and which troubles me.

I shall not repeat those things which Secretary Burt and Secretary Perle have already covered so well in their testimony.

With respect to Turkish military equipment, particularly in the 1970's, I am reminded of that poem which we used to read in our youth entitled "The Wonderful One Horse Shay," by Oliver Wendell Holmes. You may remember the story of that little wagon which had been so well constructed that every one of its part wore out simultaneously and wagon dissolved in a cloud of dust. The Turkish Armed Forces and particularly the Turkish Army, with which I am the most familiar, are basically armed with post-World War II and Korean War vintage equipment. This equipment was acquired over a period of time, but is all largely of the same generation. What this has meant is that all of the equipment has become obsolete simultaneously. For much of this equipment we no longer manufacture spare parts. Turks are wonderful mechanics; every Turkish town has a small gasoline alley on the outskirts where mechanics do wonders at keeping old equipment running, even down to the machining of new mechanical parts for old American automobiles, for example. So this ancient equipment in the Turkish Armed Forces often still runs in Turkey when it would no longer run in another country. However, advances in technology have meant that their Army is gradually progressing from a state of obsolescent arming to a state of obsolete arming.

This became very apparent to me in the fall of 1976 when approximately 100 American parachutists maneuvered for the first time in east Turkey, not far from the Soviet border with NATO. Our parachutists from Italy were equipped with the latest U.S. Army stock. What we found was a great difficulty in communicating between the two forces because our communications equipment was of a totally different generation. Our parachutists had to learn to go into a very long count on the radio in order that the Turks could gradually calibrate the ancient equipment which they had—a calibration which is done automatically on the newer equipment. I cite this as just one example. It is not only that the Turkish Armed Forces would have difficulty carrying out their mission. It is also that the essential reinforcements who arrive may have difficulty operating alongside and with the Turks if their arms and equipment are of completely different generations and manufacture. The need for modernization is vast and it stems from the early period in which the Turkish Army was equipped—not from any lack of maintenance ability on their side.

The second item to which I would like to address myself has to do with geography. Turkey is a much larger country than any of us realize because we do not often look at the scale on the map when we see a map of Turkey on one page in the book. If one superimposes Turkey on a map of Europe, you have the eastern boundary at Berlin and the western boundary in Dublin, Ireland. When I used to send my trailer out to maneuvers in eastern Turkey from my headquarters in Izmir, it was a 1,000 mile trip. At the same time, Turkey has three boundaries with countries that are not in NATO. In the northwest, they have a boundary with Bulgaria, and a very short distance from that border, downhill, to the very important city of Istanbul on the Turkish Straits. In the northeast, they have a border with the Soviet Union, next to a border with Iran. The distance between those two borders is such that reinforcement mutually between the two areas is almost impossible. And thus Turkey must have, in essence, two totally separate Armies to deal with those two totally separate defense problems. The third set of borders is in the southeast and encompasses the long borders with Iraq and with Syria. The Turkish Armed Forces organization is parallel to the requirements of those three sets of frontiers and I shall mention that slightly later in this testimony.

In the early days of NATO, most of the planning emphasis in defense circles focused on Istanbul and the Turkish Straits. I do not mean to imply that the Turkish Straits, controlling as they do the access to or from the Black Sea, are not important. What I do mean to say is that the eastern part of Turkey was not noticed as much in early NATO planning. I was one of the first staff officers assigned to General Eisenhower's newly created headquarters of SHAPE outside Paris in the early

1950's and can speak from experience on this. However, by the time I arrived at LANDSOUTHEAST, it was apparent to me that much more attention should be given to eastern Turkey, that very important piece of terrain which lies between the Soviet Union and Syria and Iraq, both of which are equipped with rather modern Soviet equipment. Accordingly, during my tenure, both the NATO and the Turkish Headquarters began to focus much more planning effort on the defense of eastern Turkey.

There are many things which make that defense quite difficult. In the first place, it is not only distant from the more modern and populated parts of Turkey in the west, but it is much more sparsely settled and lacks much of the infrastructure available in western Turkey. Before the demise of CENTO, Iran had helped Turkey quite a bit in the mutual construction of roads and communications lines throughout eastern Turkey. As a result, there is now a very modern road which goes all the way from the Bulgarian border across Turkey to the Iranian border at Dogubayazit. In the late 1970's, before the government of Iran changed, as many as 1,000 trucks a day used to go along that road through eastern Turkey bringing produce and merchandise from western Europe across to Iran and beyond. But with a few such exceptions, that very lack of infrastructure—of communications lines, radars, etc.—makes the defense problem much more difficult. Faced with Soviet forces in the Trans Caucasus which have been steadily modernizing, the Turks find themselves increasingly at a technological disadvantage as they plan for the defense of eastern Turkey across the traditional Russian invasion route.

As though that task were not enough, the fall of a friendly government in Iran has confronted Turkey with a problem it did not have before; and that is the possibility of an attack into Turkey from the Iranian frontier. I do not mean to imply that Iran might necessarily attack. But we only have to go back to 1946 to point out that when the Soviet Armored Forces invaded northwest Iran, they went to Tabriz, turned right and headed toward the Turkish border. The deployment of the Turkish forces in eastern Turkey was just not prepared for that eventuality. The need has now become greater for modernization of those forces and for the means particularly to move their infantry rapidly to the critical defiles which control access to the area.

Turkey relies heavily for technological sophistication on the reinforcement from other NATO countries which will come to their aid. Nowhere is that more important than in the remote sections of eastern Turkey. The Soviet forces across the border are well armed, well equipped, and are particularly well supported with helicopter for rapid movement of troops. The Turkish Army on its side is still in the mode of having to move by truck or by foot to many of their defense positions. They have long recognized that something must be done to modernize those forces, to make them more mobile, and to enable more rapid shifts of reserves to meet any threat which might develop along a front which has just doubled in width.

I do not have to dwell on the fact that this remote section of Turkey, this part of NATO terrain, lies much closer to the Arabian Gulf than many of the other possible bases which could be used by friendly forces in the event of an explosion in that tinderbox area. It has been less than 40 years since Soviet forces last invaded northwest Iran. If the Turkish forces are ill-equipped and stunted, another Soviet invasion of northwest Iran would not have to worry about its right flank. However, if the Turkish forces are equipped with modern equipment and with some mobility, I do believe that it would help stability in the neighborhood by giving the Russians second thoughts about their flank before they moved again down through Iran towards the oil-producing areas. I certainly do not mean that the Turks should just be hotel-keepers of bases. But well-equipped and mobile, modernized Turkish forces have a role to play in keeping stability in that area.

The third item to which I would like to address myself has to do with a headquarters entitled the Aegean Army. This is a very much misunderstood headquarters, and I would like to explain it in context. It is useful to think of Turkey as being divided into four quadrants. The northwest quadrant involves the frontier with Bulgaria and the very short zone in which to defend the approaches to Istanbul. The Turks have one numbered Army entrusted with that task. The northeast quadrant of Turkey has the border with the Soviet Union and the traditional Russian invasion route. The Turks have another numbered Army in that quadrant. The third quadrant is the southeast quadrant and the very long border with Syria and Iraq. The Turks have another numbered Army, albeit a smaller one, entrusted with the defense of that very long border. That leaves us with the southwest quadrant. Traditionally, there has never been an Army headquarters in that area because there was a faithful NATO ally adjacent to it and there was no need for such a headquarters. The weather is good in the southwest quadrant and a large number of Turkish

training installations and Turkish pilot-training airfields are found in that quadrant.

After the Greek forces withdrew from the military side of NATO, and Greek personnel withdrew from the headquarters in Izmir, the air defense headquarters which NATO mans 24 hours a day outside of Izmir found itself relatively blind beyond the Turkish coast in that quadrant. Once it became apparent that the Greeks were probably never coming back to that NATO headquarters, the Turks then decided that as a minimum, they needed a planning headquarters to plan for the defense of their newly uncovered coast. The training installations and the pilot training fields were far too important to be left to chance. And so was created the Aegean Army, with its headquarters outside Izmir, Turkey, not very far from the NATO headquarters in the same city. Because I was stationed in Izmir, I had a chance to see this headquarters at relatively close range. It is not an Army headquarters in the sense that the other three Armies are. Those three Armies are committed to NATO and all the divisions of the Turkish Army except two are committed to NATO. The Aegean Army is, as I repeat, a planning headquarters which plans for the defense of tht coast. In a similar fashion to our Forces Command in the United States, they may have certain supervisory responsibilities for overlooking the training of the one or two divisions which lie in that area, but for combat those divisions are committed to NATO through a numbered Army.

I stress this because I keep reading in the U.S. press about "Turkey having an invasion Army poised to invade Greece or the Greek islands." To me that is utter nonsense. In the first place, the vast bulk of the Turkish Army is committed to NATO; it is not poised to invade anybody. There were one to two flurries in the Greek press during the time that I was at that NATO headquarters and I must tell this group that I have never visited a NATO-committed unit that it was not precisely where it was supposed to be doing precisely what it was supposed to be doing. In fact, that is one reason the Turks did not give a number to that Army, but called it instead the Aegean Army. It was to stress the fact that it was a different breed of cat from the three combat Army headquarters entrusted with the NATO defense tasks within their country. I visited the Aegean Army headquarters with a group from Brussels in the years after I left Izmir and found at that time it was in precisely the same posture as when I had left: that is, it was a planning headquarters planning for such tasks as might be necessary given the open nature of the long southwest coasts of Turkey.

Allied to that matter is the question of Turkish landing craft—transport for their Marine units. The two large Turkish ports are Istanbul and Izmir. Most imports come in through Istanbul; most exports leave through Izmir. So the naval transport for the Turkish Marines is anchored partly near Istanbul and partly near Izmir. I find nothing sinister in their location—only administrative convenience.

Thank you, Mr. Chairman, for permitting me to talk about those three things. It has been a pleasure to be here this morning and I feel better having gotten a little of this off my chest.

Senator LUGAR. Thank you very much, General Knowlton.

Mr. Rossides, in your testimony you mentioned a suggestion that I recall we discussed last year during the same hearing, and that was that conceivably one option would be to give or grant no aid to either Greece or Turkey. Would you elucidate on that idea a little further?

To a great extent, most of the testimony today has focussed on the foreign policy needs of NATO and the perceived needs of the United States. The premise being that it is important to U.S. policy to provide additional aid to both. Your suggestion is intriguing, in that it puts forth the opposite proposition.

Mr. ROSSIDES. Thank you, Mr. Chairman.

I think, first, for those persons who feel that Turkey is of more than minimal value, and I am not one of them, but assume the general community is, clearly I think there is agreement that if the two are acting together and friendly, we would have a viable southeastern flank of NATO. To have a chance of achieving this the disputes regarding Cyprus and the Aegean must be settled. The Aegean should be thrown into international arbitration, but

Turkey has refused. Regarding Cyprus, Turkey has hardened her position.

So one way is to give no arms or assistance to either. That way we will say we are being above it, we are not trying to put pressure on anybody. It is so revealing to have General Knowlton, whom I respect, say when they went there they didn't really think of the east, it was the Bhosporous and the Dardanelles.

The point is now we are expanding the idea of NATO into this whole area. This the committee should question. The concept of NATO is North Atlantic Treaty Organization, and suddenly we are now into the Middle East. The idea that American forces would ever be committed in eastern Turkey to defend Turkey on an invasion of the Soviet Union should be utterly frightening to this committee.

Have you really thought of what they are talking about if the Soviets invaded? I have no belief the Soviets will invade because what neither Mr. Parker nor the general nor any of the witnesses have said, and we have given in testimony time after time, is the extraordinary relationships that Turkey has with the Soviet Union.

That is why this whole thing has to be reevaluated, and part of that reevaluation would be the simple, specific question; cut aid to both. That can help settle the problem, we think, help us with our incredible deficit. I mean at a time when we have such a huge deficit, for this administration to come in with a 90-percent increase is mind boggling.

So I say, Mr. Chairman, I think it is very serious. We are not just saying this. For the General to say he doesn't think Turkey is aiming at the Aegean, he has admitted there is an army in the Aegean worrying about the southwest coast or the western coast of Turkey. They have refused to give a figure as to how many.

Well, there are a lot of estimates in the intelligence community. As our intelligence agencies to come up with what the figures may be.

Senator LUGAR. To what extent do you believe, if a policy of not giving aid was carried out, it would in fact bring Greece and Turkey to agreement? We have had discussions today about pressure and its various aspects. In this context, your suggestion might be considered a rather radical course of action. Some would say it was putting pressure on both to do something.

But are either likely to respond or are the historic problems so difficult that even something as severe as the course you are suggesting would not bring agreement?

Mr. ROSSIDES. You are asking for some thought on that, and I would say this. I couldn't guarantee that would help. The historical problems are not that severe, in my judgment. I may be wrong on that. I think the United States can consider as part of this package a guarantee of the borders, which is what the Greek concern is, and if people don't think there is a threat from Turkey, they just don't know what they are talking about, including Mr. Perle.

But let me go back in history about the historical complexities. First of all, our friends the British are the ones who split the tentative friendship between Greece and Turkey started by Mr. Ataturk and Mr. Venizelas in the early 1930's. Britain brought Turkey into the Cyprus question. Turkey had renounced all rights to Cyprus in

the Lausanne Treaty. Suddenly, we had another question of divide and rule.

We wouldn't have had that problem except for the British. I am suggesting all this talk about quiet diplomacy, about human rights, Senator Sarbanes was asking Mr. Perle and Mr. Burt. We had better learn how to negotiate in this world. Let's just stand up and let us start treating foreign governments just as we treat in the newspapers our domestic Government. Let's not be fearful of criticizing a government openly.

Today's communications and transportation have brought the world very close. In other words, we should consider them as next-door neighbors, and if we have a comment to make, make it; but unless we learn how to negotiate, forget it. We have 9 years of the failure of the executive branch policy.

In U.S. News & World Report of May 3, 1982, University of Rochester political science professor, Bruce Bueno de Mesquita, a noted authority on conflict predicted that "war is likely in the next year or two" between Greece and Turkey over Cyprus. All we are doing is building up a fight between these two on some incident that could occur.

I am not saying it would be tomorrow that both countries would come to a settlement, but has the United States ever said, look, let's stop the nonsense fellows? I honestly believe that if the United States, West Germany, and Great Britain ever got together and said we are going to stop this, that it could be done overnight.

When you are talking about the rescheduling of debts and so on, enormous moneys are involved. Now we are talking about suddenly, and I am glad to realize they didn't think about this in the mid- or late-sixties when the General was there, that we have got an eastern border to worry about.

Thank you, Mr. Chairman.

Senator LUGAR. General Knowlton.

General KNOWLTON. I am being taken slightly out of context, I think by my friend Mr. Rossides. I didn't say we didn't think about it; I said the emphasis was on one of NATO's three most important points, the Turkish Straits and the control in and out of the Black Sea.

It is just that the same emphasis had not been applied. There was obviously emphasis. There were two armies in that area, the 3rd Army and the 2d Army; and furthermore, over the last 250 years that area has changed hands about eight or nine times back and forth between Russian and Turkey; and one may remember that that was one of the first pushes after the war, to try to get Kars and Ardahan Provinces back to Russia once more.

So that has been a contested area for about 250 years. But there was more NATO emphasis on western Turkey than there had been on eastern Turkey, and the new planning emphasis that came in the late seventies was even more important, when Iran went into a totally different mode and gave Turkey an even more difficult border.

Thank you, Mr. Chairman.

Senator LUGAR. Senator Sarbanes.

Senator SARBANES. Ambassador Hart, is it your understanding that some of the Greek military is deployed on the assumption that there is concern about the possibility of hostilities with Turkey?

Mr. HART. I am sorry. Did you ask me whether or not the Greek——

Senator SARBANES. Is it your understanding that some of the Greek military is deployed——

Mr. HART. Yes.

Senator SARBANES [continuing]. On the premise that they are guarding against an outbreak of hostilities with Turkey?

Mr. HART. I don't know, Senator, to what extent this is a matter of Greek military planning. That is beyond my competence to answer, whether they are making plans and deployments based upon that belief or not. There is, of course, a dispute over the question of the fortification of certain islands close to the Turkish coast which are Greek. The dispute revolves over whether that is allowed or not allowed under treaty between the two countries.

I am pretty well assured that there is a nervousness between the two countries, but I don't see from what I have been able to read and find out that there is any serious expectation of a Turkish attack in the military sense. I regard what I have heard in the political sphere as being separate from that, and I am not aware of any particular framework of alert in a military sense on the Greek side, and I don't think there is on the Turkish side.

Senator SARBANES. If you were the Prime Minister of Greece, would you, among other concerns, at least feel you had to provide against the possibility of the outbreak of hostilities with Turkey?

Mr. HART. I think that every prime minister will have his contingency plans developed by his military, but I see no evidence to warrant the Papandreou assertion that the threat comes from the east and not the north. I think that is political talk.

Senator SARBANES. If you were the Turkish Prime Minister, would you be providing for the possibility of an outbreak of hostilities with Greece?

Mr. HART. Not in any political sense, no. I don't think that you expect it.

Senator SARBANES. You wouldn't provide for it?

Mr. HART. I didn't say that. The military will provide for everything, Senator, in their contingency plans, but I am saying on a political front I see no ready——

Senator SARBANES. Is the United States providing for military attack from Canada?

Mr. HART. I don't know why they should.

Senator SARBANES. Is Canada providing for one from the United States?

Mr. HART. No; I don't think so.

Senator SARBANES. Now, that says a great deal.

Mr. HART. I don't know why.

Senator SARBANES. That response makes my point about the nature of the relationship between the two neighboring countries hear and the two neighboring countries there. The thing I am taking issue with you for is your dismissal of the notion that each of those countries is not concerned about the other.

Mr. HART. I didn't say they were not concerned.

Senator SARBANES. You might contend there is not a threat from the north, but I think each of them sees in one instance a threat from the east and in the other a threat from the west.

Mr. HART. I disagree. I don't see any real evidence of Turkish feeling of a threat from Greece. I do see a dispute.

Senator SARBANES. You don't think they are concerned about it?

Mr. HART. No; I do not. Not at the present time.

Senator SARBANES. Do you think the Greeks are concerned about that?

Mr. HART. I question whether the Greek military are as concerned as Prime Minister Papandreou.

Senator SARBANES. How did Turkey move into Cyprus?

Mr. HART. I beg your pardon?

Senator SARBANES. How did Turkey move into Cyprus so quickly?

Mr. HART. How did they move in?

Senator SARBANES. So quickly.

Mr. HART. Well, they have had previous alerts on this question. That is a long story if you want to get into that. I personally went down there and saw a lot of that, and I was in Turkey at the time.

Senator SARBANES. Did they have military contingency planning for that?

Mr. HART. Oh, yes, of course.

Senator SARBANES. Do you think they have military contingency planning with respect to the Greek islands off the Turkish shore?

Mr. HART. Contingency planning?

Senator SARBANES. Yes.

Mr. HART. Well, I would be surprised if they didn't have contingency planning for everything under the circumstances, but this does not imply that I consider that Turkey represents in its mind, Greece, as a threat, because I do not believe that it does.

Senator SARBANES. General, if you were charged with concern about the security of the Greek Islands just off the Turkish shore, would you regard the location of the naval transport for the Turkish marines in Izmir merely as a matter of administrative convenience?

General KNOWLTON. Do you mean were I a Greek looking at it?

Senator SARBANES. You are charged with the security responsibility for those islands, which are literally within a couple of miles of the Turkish shore, in the immediate vicinity—just to carry it further, of Izmir. Would you then regard the location of this naval transport for the Turkish marines in Izmir as merely a matter of administrative convenience, or would you regard it as something you had better think about?

General KNOWLTON. I think it would be something I would have to think about; but my point was there are two big ports in that area, one in the Istanbul area and one in Izmir, and the landing craft normally split between them. They are used, of course, not only to carry marines but also to carry supplies to the very shallow 1st Army area from across the bay, since only 4 percent of Turkey lies on the European side of the straits.

Senator SARBANES. Thank you, Mr. Chairman.

Senator LUGAR. Thank you, Senator Sarbanes.

Gentlemen, we thank you very much for your testimony and your forthcoming responses to our questions.

Mr. ROSSIDES. Thank you for your patience, Mr. Chairman.
General KNOWLTON. Thank you, sir.
Senator LUGAR. The hearing is adjourned.
[Whereupon, at 5:25 p.m., the subcommittee adjourned, subject to call of the Chair.]

EAST ASIA: LEGISLATIVE ISSUES

FRIDAY, MARCH 11, 1983

UNITED STATES SENATE,
SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Frank H. Murkowski (chairman of the subcommittee) presiding.

Present: Senator Murkowski.

Senator MURKOWSKI. Good morning.

The committee will come to order.

The hearing has been called to examine the administration's request this year for foreign assistance to East Asia and the Pacific region, and to assess other programs in the region which come under budget authorization for the Department of State and the United States Information Agency [USIA].

Our administration witnesses this morning are Hon. Paul Wolfowitz, Assistant Secretary of State for East Asian and Pacific Affairs. Good morning, Mr. Secretary.

Mr. WOLFOWITZ. Good morning, Senator.

Senator MURKOWSKI. Mr. Clifton Forster, Director, East Asian and Pacific Affairs, United States Information Agency. Good morning. It is nice to have you with us.

Mr. FORSTER. Good morning, Mr. Chairman.

Senator MURKOWSKI. I understand Mr. Richard Armitage is ill, and we have his deputy, Commodore Ring, who will testify for the Assistant Secretary of Defense, and we have Hon. Charles Greenleaf, Assistant Administrator, Bureau for Asia, Agency for International Development [AID]. Good morning, gentlemen.

The administration's foreign assistance request, which is the subject of this hearing, has several important features. First is the request for $133 million in additional military assistance for fiscal year 1983 over and above what was allocated for the region under the continuing resolution. This item appears designed mainly to bring U.S. military assistance to Korea, Thailand, and Indonesia up to the levels the administration originally requested for fiscal 1983, but which were not approved under the continuing resolution.

Second, the administration's proposal in general strongly emphasizes U.S. military assistance as opposed perhaps to an increase in economic aid for the region. This fact is seen most graphically when one calculates the increase in military assistance from the actual fiscal 1983 level to the proposed level for fiscal 1984, a 56.5-

percent increase in military aid to the region over fiscal 1983 to $451 million.

By contrast, economic aid grows only by about 3 percent, and amounts to less than two-thirds of the level of military aid. I must admit that I am concerned by these figures and the trend it represents. While I do not mean to be understood as ignoring the very real security needs facing the countries in the East Asia and Pacific regions, I am concerned that the nonmilitary economic requirements of these nations are perhaps being slighted.

It is my firm conviction that a strong defense is best achieved with the support of a strong and orderly national infrastructure. Certain of these countries do have relatively strong internal economies, but many others seem to require assistance in putting their economies in order, not just their armies in order. I would hope that our distinguished witnesses will address my concern in their testimony today.

Next, as in its aid proposal last year, the administration is requesting legislative changes to remove prohibitions against foreign assistance to the People's Republic of China [PRC]. This committee and the House Foreign Affairs Committee approved modified versions of that proposal last year, but the bill to which these modifications were attached did not receive consideration by the full Senate and House last year.

The concept of U.S. military and economic assistance to the PRC is an important issue facing U.S. foreign policymakers at this time. It is important, further, that we consider the long-term implications of our China aid policy with great care and attention to its regional and international implications. The substantive considerations are, of course, many. The symbolic implications are complex. Cautious progress and patience in this area may indeed be the most appropriate watchwords of U.S. foreign aid policy toward the People's Republic of China.

Again, I trust that our witnesses will discuss this request during their testimony.

Finally, we will consider this morning the proposed activities of the administration's new democracy and public diplomacy program to be operated and funded by the U.S. Information Agency. In particular, this subcommittee has oversight jurisdiction, so to speak, over the Asia Foundation, which would be funded as part of the USIA budget for Project Democracy.

I must admit that I do not understand fully who set the policies and priorities for the commendable work of the Asia Foundation in the past. I still feel uncertain about the answer to the question now that USIA is involved. It is my understanding that Mr. Wick, the Director of USIA, at a prior hearing before the full committee was unable to say who sets the priorities for Project Democracy. I am troubled that USIA involvement in the Asia Foundation activities could cause the Foundation to become improperly polarized.

A substantial increase, more than 100 percent, in the Asia Foundation's budget also represents to me a most substantial increase in spending during these difficult economic times for U.S. taxpayers.

In closing, I would like to emphasize the political and strategic importance of our East Asia and Pacific neighbors to U.S. interests. Most specifically, one cannot underestimate the importance of East

Asia to my own home State of Alaska. East Asia is the recipient of all of Alaska's many resources, with the exception of oil. We know the economic future of East Asia and Alaska are inextricably tied together, and have been for some time.

Furthermore, Asia represents a major U.S. trading partner. Japan, South Korea, and Taiwan rank among America's top 10 trading partners. It is clear that U.S. assistance programs in this region are vitally important both from the perspective of U.S. self-interests and from the standpoint of the needs of the recipient nations.

Gentlemen, we would like you to feel free to summarize your prepared statements. Of course, your entire statements will be included in the record. We will then move on to questions, and I think, Mr. Wolfowitz, if you would proceed, we can begin with the testimony.

Thank you, gentlemen.

STATEMENT OF HON. PAUL D. WOLFOWITZ, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE

Mr. WOLFOWITZ. Thank you, Senator.

I have a much longer statement that I have submitted for the record, but let me just briefly give an overview of the request that we are making here.

First, let me say something about U.S. interests and objectives in the region that we are talking about, East Asia and the Pacific. Secretary Shultz's recent trip to northeast Asia and the chiefs of mission conference that we held in Hong Kong with all of the ambassadors of the region that we held at the end of that trip underscore for me the serious need for additional foreign assistance.

As important as Asia and the Pacific are today, they will only be more important tomorrow, and there is perhaps no other area of the world about which the same statement can be made with equal confidence. There are myriad ways to support this view, but to make this point today in shorthand, let me just point to two facts.

First, that we trade more today with East Asia and the Pacific than with any other region on Earth, including Western Europe, and East Asia's share of the pie is growing. Second, we have fought two wars since World War II, both in Asia. We do not want to fight another.

The resources that we seek for East Asian and Pacific countries serve in numerous ways. They bolster our treaty relationships with Korea and Thailand, two important front line states, and with the Philippines, with which we will shortly enter important base negotiations.

They strengthen our relationships with other treaty allies, such as Japan, Australia, and New Zealand, which do not receive credit or grant assistance, but nevertheless view U.S. assistance to other key Pacific nations as an indicator of our resolve to remain a Pacific power.

They reinforce our defense relations with countries such as the ASEAN states that are in strategic proximity to sea lanes of com-

munication essential not only to this region, but for our access to the Indian Ocean and the Middle East as well.

They help to assure our access to key commercial markets and raw materials. They strengthen movement toward democracy in those countries, such as the ASEAN states, that have become a voice for peace in the region.

These are some of the major benefits that we gain, but I could easily have mentioned half a dozen more, such as managing refugee flows, impeding the flow of narcotics, promoting peaceful resolution of regional conflicts, and reducing the abject poverty and social strains that spawn domestic violence and weight heavily on all of us.

Finally, all of these benefits serve as useful components of our efforts to improve human rights practices in the region. Governments which are secure and prosperous are better able to implement human rights policies. Closer ties with the United States that are furthered by our assistance programs make it more likely that our concern with human rights will be given consideration.

Progress on human rights which is vitally important for its own sake is also an integral part of all of our other concerns, because human rights abuses undermine the legitimacy, the progress, and ever. the stability of governments, thereby threatening many other objectives as well.

With that brief background, let me discuss in very broad terms East Asia and the request that are being made for East Asia and the Pacific assistance.

In the supplemental bill for fiscal year 1983, we seek only to restore FMS guaranteed credits and MAP funds to the amounts initially sought. The FMS funds which can be feasibly allocated to East Asia under the current continuing resolution, that is, $271 million, fall 20 percent below the level that we actually funded in fiscal year 1982, and 30 percent below what we had sought for fiscal year 1983, and I would note that the 56-percent increase in security assistance that you are referring to refers to the fact that we have a major cut that we are trying to restore.

Such a substantial reduction poses serious problems for us in terms of our key relationships, the gravest being with Korea and Thailand. Regarding MAP, we face a similar situation. The $9 million proposed for East Asia under the continuing resolution level is barely a third of the amount that we have requested. Rapid restoration of these funds is required to prevent delays and disruptions in urgently needed military modernization programs and to insure that the United States is perceived as a steady, reliable partner.

Our fiscal year 1984 request covers not only FMS and MAP, but the international military education and training, ESF, development assistance, and Public Law 480. These last two programs will be discussed by my colleagues from AID. I will mention, however, that over four-fifths of the region's economic assistance would go to three key countries, the Philippines, Thailand, and Indonesia, and that the amounts requested are virtually straight lined from last year's requests, and in real terms are virtually the same as amounts funded in fiscal year 1982. They are not extravagant.

The $436 million in FMS guaranteed credits sought for fiscal year 1984 is only a 12-percent increase from the fiscal year 1983

request. The real dollar increase, which is even more modest, is targeted on two frontline states, Korea and Thailand. The FMS request for our other three recipients, the Philippines, Indonesia, and Malaysia, are all simple straight lined continuations from the 1983 requests.

The increases that we are seeking for Korea and Thailaind are well justified. When on this recent trip we went up to the DMZ in Korea. As he stood there, Secretary Shultz remarked at how strong an impression of hostility and tension one feels at that border and at the great contribution that the people of Korea are making to their own security and to the world's.

Much the same might be said of Thailand, whose contributions as the frontline state are crucial to ASEAN's and the world's efforts to resist Vietnamese aggression in neighboring Kampuchea. Funds for these two frontline states will serve useful purposes, and send an important message to others, and I would note they are the only real increases that we are asking for in 1984 over what we asked for in 1983.

Ironically, due to the limited funds available, we have in fact had to reduce our fiscal year 1984 MAP request for Thailand, and similarly, we have reduced our ESF request below the fiscal year 1983 request levels.

Finally, we have requested just short of $10 million in IMET funds, a mere 4.6-percent increase over the fiscal year 1983 request level, approximately, straight line in real terms. While small in total dollars, that program is perhaps our most cost effective form of military assistance.

We believe that these requests, devised, as they have been, with an eye to severe resource constraints and the increasing Soviet, North Korean, and Vietnamese threat, represent the minimum resources needed to protect our frontline allies and preserve our base agreements. The needed restoration of FMS and MAP funds initially requested for this year and the small real dollar increase sought for next will serve as an important investment in the region's future and in our own.

Mr. Chairman, before turning to my colleagues for their prepared remarks, I would just like to comment briefly on a couple of points that are not in the statement that I have submitted.

First, concerning the question of how the recent decision by the President to provide additional funding for El Salvador might affect programs for East Asia, which is a subject that I have been following closely——

Senator MURKOWSKI. That was going to be my first question to you.

Mr. WOLFOWITZ. Can I anticipate it with a comment then? There has been no decision as to how the reprograming will affect—no final decision on the reprograming, but I understand it will be made shortly, and I understand, at least our pretty strong anticipation is that, there will be no change in the amounts allocated to East Asian countries under the fiscal year 1983 continuing resolution. There may be some modest changes in what we are requesting in the supplemental.

[Mr. Wolfowitz' prepared statement follows:]

PREPARED STATEMENT OF HON. PAUL D. WOLFOWITZ

Mr. Chairman and members of the committee, I am delighted to have this opportunity to present both our fiscal year 1984 foreign assistance request and the need for a supplemental appropriation for fiscal year 1983. I would like to give you a brief overview of how both requests relate to our foreign policy objectives in East Asia and the Pacific. This will be followed by supplemental material presenting a more detailed discussion of our proposals country by country.

OVERVIEW

U.S. interests and objectives in East Asia and the Pacific

The Secretary's recent Northeast Asian trip and our recent Chiefs of Mission Conference in Hong Kong underscored for me the serious need for additional foreign assistance. As important as Asia and the Pacific are today, they will only be more important tomorrow. There is perhaps no other area of the world about which this can be said with such confidence. There are myriad ways in which to support this view. But to make this point today, in shorthand—for I know, Mr. Chairman, that you know as well as any among us the importance of the region—let me point to just two facts. First, we trade more today with East Asia and the Pacific than with any other region on earth, including Western Europe; and East Asia's share of the pie is gaining. Second, we have fought two wars since World War II, both in Asia. We do not want to fight another.

The resources we seek for East Asian and Pacific countries serve in numerous ways:

They bolster our treaty relationships with Korea and Thailand, two front line states, and with the Philippines, with which we will shortly enter important base negotiations.

They strengthen our relationships with other treaty allies such as Japan, Australia and New Zealand which do not receive credit or grant assistance but nevertheless view U.S. assistance to other key Pacific nations as an indicator of our resolve to remain a Pacific power.

They reinforce our defense relations with countries, such as the ASEAN states, in strategic proximity to sea lanes of communication essential, not only to the region, but to access to the Indian Ocean and the Middle East, as well.

They help to assure our access to key commercial markets and raw material.

They strengthen movement towards democracy in those countries, such as the ASEAN states, that have become a voice for peace in the region.

These are some of the major benefits we gain, but I could have easily mentioned half a dozen more, such as managing refugee flows, impeding the flow of narcotics, promoting peaceful resolution of regional conflicts, and reducing the abject poverty and social strains that spawn domestic violence and weigh heavily on all of us.

Finally, all of these benefits serve as useful components of our efforts to improve human rights practices in the region. Governments which are secure and prosperous are better able to implement human rights policies. Closer ties with the United States, furthered by our assistance programs, make it more likely that our concern with human rights will be given consideration. Progress on human rights, vitally important on its own, in turn is an integral part of all our other concerns. Human rights abuses undermine the legitimacy, progress and even stability of governments, thereby, vitiating other components of our strategy.

With that brief background, let me discuss in very broad terms East Asia and the Pacific's share of the requests before you.

The 1983 supplemental and 1984 bills

In the supplemental bill for fiscal year 1983, we seek only to restore FMS guaranteed credits and MAP funds to the amounts initially sought.

The FMS funds which can be feasibly allocated to East Asia under the current continuing resolution ($271 million) fall 20 percent below the level we actually funded last year, and 30 percent below what we sought for this year. Such a substantial reduction poses serious problems for us in terms of our key relationships, the gravest being with Korea and Thailand.

Regarding MAP, we face a similar situation. The $9 million proposed for East Asia under the CR level is barely a third of the amount we have requested.

Rapid restoration of these funds is required to prevent hazardous delays and disruptions in urgent military modernization programs and to ensure that the United States is perceived as a steady, reliable security partner.

Our fiscal year 1984 request, of course, covers not only FMS and MAP, but IMET, ESF, Development Assistance and Public Law 480. I will leave the details of these last two programs to my colleagues from AID. I will mention, however, that over four-fifths of the region's economic assistance would go to three key countries, the Philippines, Thailand and Indonesia, and that the amounts requested are virtually straight-lined from last year's requests, and, in real terms, are virtually the same as amounts funded in fiscal year 1982.

The $436 million in FMS guaranteed credits sought for fiscal year 1984 exceeds the fiscal year 1983 request by 12 percent. The modest real dollar increase sought is targeted on two front-line states: Korea and Thailand. The FMS requests for our other three FMS recipients, the Philippines, Indonesia and Malaysia are all straight-lined from the fiscal year 1983 request.

The increases sought for Korea and Thailand are well justified. As he stood recently at the DMZ in Korea, Secretary Shultz remarked at how strong an impression standing at the edge of hostility leaves, and at the great contribution the people of Korea are making to their own security and the world's. Much the same might be said of the Thai, whose contributions as the front-line state are crucial to ASEAN's and the world's efforts to resist Vietnamese aggression in neighboring Kampuchea. Funds for these front-line states will serve useful purposes, and send an important message to others.

Ironically, due to the limited funds available, we have reduced our fiscal year 1984 MAP request for Thailand to $5 million, a reduction of 80 percent.

Similarly, we have reduced our ESF requests below the fiscal year 1983 request levels. We would retain the $50 million level for the Philippines as part of the Military Bases Agreement, but permit reduction of the ESF to Thailand from the original fiscal year 1983 request.

Finally, we have requested $9.69 million in IMET funds, a mere 4.6 percent increase over the fiscal year 1983 request level. While small in total dollars, IMET is perhaps our most cost-effective form of military assistance.

Conclusion

We believe that these requests, devised as they have been with an eye to severe resource constraints, and the increasing Soviet, North Korean and Vietnamese threat, represent the minimum resources needed to protect our front-line allies and preserve our base agreements. The needed restoration of FMS and MAP funds initially requested for this year, and the small real dollar increase sought for next, will serve as an important investment in the region's future, and in our own.

PROGRAM DETAILS

Supplemental appropriation—fiscal year 1983

Notwithstanding East Asia's vast geography, rich resources and significant contribution to many of our highest foreign policy objectives, our requested level of FMS guaranteed credits for fiscal year 1983 amounted to only $388.5 million or some 9 percent of the global request level. This request level would be an increase of 14.1 percent over the fiscal year 1982 level of $340.7 million in nominal dollars and, of course much less an increase in real terms.

I might also mention that a by-product of the lower worldwide level under the CR has been to reduce East Asia's percentage of FMS guarantees from 9 percent of the larger worldwide request level of $4,323.30 million to 7.4 percent of the smaller CR level of $3,638 million. Both Congressional earmarks and the requirement to fund new high priority programs outside of East Asia have contributed to this effect.

The $9 FMS MAP million proposed for East Asia under the CR level, although double the fiscal year 1982 funded level of $4.5 million, is a 64 percent reduction from the fiscal year 1983 request level of $25 million. Moreover, the fiscal year 1982 funded level itself was far below the concessionality requested for the Thai program in that the $4.5 million MAP program was in lieu of an original request for $50 million in direct credits. Our original fiscal year 1983 request for a $25 million FMS MAP program is designed to provide a degree of concessionality that would both help compensate for last year's shortfall, and permit reduction of concessional financing beginning with the fiscal year 1984 program. As with FMS guarantees, the reduction in FMS MAP worldwide levels under the CR has had the effect of reducing the percentage of the total available to East Asia. Thus, under the CR, East Asia would receive 3.6 percent of the worldwide allocation for country programs of $250 million vice 5.8 percent of $427 million under the original request level. Let me now turn to some of the country programs, that is those for which we are requesting a supplemental appropriation.

Korea.—For the past 30 years the combined U.S./ROK deterrent has been successful in preventing renewed aggression on the Korean peninsula. The peace has been maintained and the Republic of Korea has enjoyed an era of unprecedented economic and social progress. Despite this impressive record, however, the need for continued U.S. support remains. In the past 10 years, North Korea, which spends between 15 and 20 percent of its GNP on defense, carried out a major force buildup which has seriously affected the military balance on the peninsula. North Korea has about 1.25 times as many men under arms as the South, and 2½ times as many armored personnel carriers, artillery pieces, and tanks (which are larger and more modern than those of the South). The North also possesses more combat aircraft than the South, and maintains a 100,000 man commando force, probably the largest such force in the world. Because it is a totalitarian state, North Korea can and does maintain a high state of readiness. With its forces only some 35 miles from Seoul, North Korea could mount an attack with very little notice.

To counter this threat, the ROK, which spends 6 percent of its GNP on defense, is engaged in a major force improvement program, designed to improve its warning capability, increase its effective firepower, and enhance its air defense capability. The program, which includes the co-production of F–5s and the acquisition of the F–16, is projected to cost some $10.3 billion during the period fiscal year 1982–86, with $4.7 billion slated for procurement in the United States.

To assist the vital efforts of this important ally, we provided $166 billion in FMS credits in fiscal year 1982. Our fiscal year 1983 proposal for $210 million was limited by the continuing resolution to $140 million, some 16 percent below last year's figure. This has been a major blow to Korean defense planning in a time when the ROK budget, like our own, faces unusual constraints and pressures because of economic conditions. (It is worth noting in this context that during fiscal year 1982, the ROKG paid some $254 million to the USG on principle and interest charged for previous loans, exceeding by some $88 million the amount of new credits provided in that year.)

In order to ease the very real burden Korea faces in maintaining a credible deterrent against North Korean aggression, we are proposing the restoration of $70 million to the fiscal year 1983 budget for Korea.

Our Korean allies are doing their utmost for their own security. We believe it is in our interest to assist Korea in meeting its force improvement goals and our mutual security objectives. We should bear in mind that Korean combat forces, whose capabilities would be enhanced by higher FMS levels, are stationed with our own forces along the DMZ and would operate with ours under a joint command in time of war. Thus, we have a very direct stake in the force improvement efforts of this frontline ally.

Thailand.—Restoration of all or most of Thailand's fiscal year 1983 request levels is necessary to maintain our support for its position as the ASEAN front-line state in its confrontation with improved Vietnamese forces in Kampuchea. Thus, we are requesting restoration of $9 million in FMS guaranteed credits and $16 million in FMS MAP, to provide the $66 million and $25 million in FMS guarantees and FMS MAP respectively, which were originally requested for fiscal year 1983.

The CR FMS level of $57 million in guaranteed credits and $9 million in MAP for a total FMS program of $66 million falls 27.5 percent short of the $91 million request level for fiscal year 1983 and 16.6 percent below fiscal year 1982 total FMS program of $79.2 million. Moreover, the original request included $25 million in FMS MAP which would have provided badly needed concessionality.

Thailand is confronted with a serious military threat from Vietnam. Soviet-supplied Vietnamese troops occupy Kampuchea, operate in strength along the Thai-Kampuchea border and have already begun to exploit the dry season by launching combined armor—infantry operations against all elements of the Khmer Coalition Government's resistance forces. Moreover, the Vietnamese operations suggest further improvements in their force capability; specifically in command and control, target acquisition and logistical support. In response to this increasing military threat, the Royal Thai Government (RTG) has continued a major force improvement program to deter or defend itself against an invasion, while continuing operations to contain a small but troublesome insurgency in rural Thailand. President Reagan has publicly reiterated our commitment to Thailand under the Manila Pact and made clear our continued support to Thailand under the Manila Pact. In the context of increasing Vietnamese capabilities and activities, cutting Thailand's FMS program below the fiscal year 1982 levels might lead the Thais, the other ASEAN states, and the Vietnamese to feel that the United States is unlikely to remain a serious player in the area.

Maintaining adequate, consistent levels of military assistance is necessary to maintaining U.S. influence in an important part of the world at relatively low cost, without risking involvement in military hostilities. Finally, permitting the Thai program to fall below the fiscal year 1983 level could impair RTG cooperation with us on some of our other objectives such as assistance to refugees seeking first asylum, control of narcotics traffic and support for other U.S. policies in the international arena.

Indonesia.—Although not allied with us, or with other powers, Indonesia is a major regional power with whom we have significant relationships. Indonesia, the largest ASEAN state, is a central element in ASEAN's resistance to expanding Soviet and Vietnamese influence in the region and plays a constructive, moderate role in the NAM, the Islamic conference, and other international fora.

The CR level of $20 million in FMS guarantees, a reduction of 60 percent from the requested $50 million, and of 50 percent from the fiscal year 1982 funded level of $40 million, is likely to be interpreted by the GOI as a downgrading, by the United States, of its security relationship with Indonesia, especially since it comes so soon after the state visit of president Suharto. We have expected that the GOI would use most of its fiscal year 1983 credits for four C–130 aircraft, after which Jakarta would use its fiscal year 1983 FMS credit for badly needed air or naval force improvements. A major cut below the fiscal year 1982 level will undercut the credibility of our commitment to support Indonesia's military modernization program and could consequently harm our overall relationship. In order to avoid these adverse consequences, we urge that a supplemental appropriation include an additional $30 million for Indonesia's FMS program to bring it up to the requested $50 million.

Malaysia.—A reduction from the request level of $12.5 million to $4 million, a drop of 68 percent, will impede Malaysian efforts to modernize their forces and restructure them to address an external threat. Moreover, the unavailability of FMS credits will lessen the attractiveness of American military equipment to the Malaysians and may lead to greater reliance on other suppliers. It may also give the Malaysians second thoughts as to the wisdom of seeking closer security relations with the United States. Therefore, we are requesting that a supplemental appropriation include an additional $8.5 million to restore the fiscal year 1983 request level, which exceeds the $10 million fiscal year 1982 funded level by only $2.5 million.

Fiscal year 1984 foreign assistance request

I would like now to turn to our foreign assistance request for fiscal year 1984. Fiscal year 1983 was the first year in which this Administration integrated military and economic assistance into a single strategic package. The fiscal year 1984 foreign assistance proposal continues to refine this concept in linking all components of U.S. assistance to our strategic interests and foreign policy objectives.

Although my remarks concern primarily security assistance, that is FMS Guaranteed Credits, FMS MAP, ESF and IMET, I will touch on the total request to include Development Assistance and Public Law 480.

Our total East Asia and Pacific foreign assistance request for the aforementioned kinds of bilateral assistance during fiscal year 1984 is $722 million, or an increase of less than 5 percent over the fiscal year 1983 request level of $689 million. It exceeds the fiscal year 1982 funded level of $606 million by 19.1 percent. Thus, full funding of the requested levels for fiscal year 1984 would be a decrease from fully funded fiscal year 1983 programs in real terms, since inflation exceeded 5 percent. Even for the 2-year period, full funding would, at best, keep pace with inflation.

Our Development Assistance request level of approximately $168.9 million is virtually a straight line from fiscal year 1983 and exceeds the fiscal year 1982 funded level of about $163 million by only 3.7 percent. Our requested levels for Public Law 480 of $30 million for Title I and $17 million for Title II respectively both represent virtually a straight line from the revised fiscal year 1983 request.

Some $180 million of our requested economic assistance (DA and Public Law 480) or 83.3 percent would go to Indonesia, the Philippines and Thailand. Thus, most of our resources would be allocated to a country with which we have a Military Bases Agreement (MBA), the ASEAN front-line state, and to Indonesia which occupies a key strategic position, both geographically and politically, and is the poorest country in ASEAN. The remaining portion to be allocated to Burma, and regional projects are small in dollar amounts but politically and economically significant as we shall discuss later.

Turning to our fiscal year 1984 military assistance request levels, you can see that most, in fact about 87 percent of the total FMS guarantees, FMS MAP, ESF and IMET requested is to protect our treaty relationships with Korea, the Philippines

and Thailand. I should note that the fiscal year 1984 military assistance request of $506.09 million is less than a 5 percent increase over the fiscal year 1983 requested level of $482.65 million; in other words no increase at all in real terms. The fiscal year 1984 request level exceeds the fiscal year 1982 funded level of $407.103 million by 24.3 percent in nominal dollars, and thus does little more than keep pace with inflation.

Our request for FMS guaranteed credits for fiscal year 1984 totals $436.5 million. It exceeds the fiscal year 1983 request level of $388.5 million by 12.3 percent and the fiscal year 1982 funded level of $340.7 by some 28.1 percent. Thus, if fully funded for both fiscal year 1983 and fiscal year 1984 our overall FMS request is an extremely small increase in real terms. In addition to FMS guaranteed credits, we have requested $5 million in FMS MAP for Thailand, a decrease of $20 million from the fiscal year 1983 requested level. The reduced request was necessitated by the shortfall of MAP funds available and other global priorities. Nevertheless, a MAP program has significance in Thailand and throughout ASEAN as an indicator of U.S. commitment to the region.

The modest nominal dollar increase sought in East Asia's overall FMS (both guaranteed credits and MAP) level is targeted on two front-line states: Korea and Thailand. The FMS requests for our other three FMS recipients, the Philippines, Indonesia and Malaysia and all straight lined from the fiscal year 1983 request. We believe that these request levels, devised as they have been with an eye on severe resource constraints, and on the increasing Soviet, North Korean and Vietnamese threats in the region, represent the minimum resources to protect our front-line treaty allies and preserve our base agreements.

Our ESF request level of $55 million respresents a $5 million reduction from the fiscal year 1983 request level. This would retain the $50 million level for the Philippines as part of the Military Bases Agreement (MBA), but permit reduction of the ESF to Thailand in anticipation of a decreasingly adverse impact on Thai citizens from refugee flows. The lower request level also is predicated on full funding of Thailand's fiscal year 1983 ESF request level of $10 million.

Our IMET request for fiscal year 1984 of $9.59 million represents a 4.8 percent increase over the fiscal year 1983 request level of $9.15 million, and a 38.7 percent increase over the fiscal year 1982 funded level of $6.91. IMET is perhaps our most cost-effective form of military assistance. For fiscal year 1984, we are requesting slight increases for seven of our current IMET recipients, straight-lining two of them from fiscal year 1983, and proposing one new $30,000 program for Tonga, a country whose government has frequently supported U.S. objectives in regional organizations, and has rejected Soviet approaches in the form of aid offers and the establishment of a diplomatic mission. Let me now address some of the specific country programs proposed for fiscal year 1984.

Korea.—Our proposed program of $230 million in FMS credits for the Republic of Korea is designed to help the Koreans address more effectively the dangerous military balance on the peninsula, an imbalance likely to worsen in the absence of even heavier ROK defense expenditures.

Funds are urgently needed to permit the continuation of the F–5 coproduction program, the completion of a tactical air control system, and the procurement of tank recovery vehicles, TOW missiles, and HAWK modifications. The $230 million request level to help the ROK sustain its Force Improvement Program (FIP) objectives is a 9.5 percent increase over the fiscal year 1983 request level of $210 million, but a 38.5 percent increase over the fiscal year 1982 funded level of $166 million. The adequacy of the fiscal year 1984 request level is predicated upon full funding of the fiscal year 1983 request.

For IMET, we seek to hold the fiscal year 1983 request level of $1.850 million which is an increase of $450,000 over the fiscal year 1982 level. The proposed IMET program is essential to assure the necessary training to support the Force Improvement Program (FIP), as well as to improve the interoperability of ROK and U.S. forces, enhance the commonality of U.S.-ROK tactics and to assist the development of modern management expertise in the ROK armed forces.

For fiscal year 1984 we are proposing that Korea receive $230 million in FMS credits. In order to permit more effective use of resources available for this important program, we are also proposing for fiscal year 1984 that Korea be granted better repayment terms. Specifically, we are proposing that Korea be permitted a 10-year grace period as to principal with a total of the 30 years for repayment.

Southeast Asia.—The diversity and slower economic growth that characterizes Southeast Asia necessitates that U.S. assistance to the sub-region include diverse forms of assistance, economic and military and be spread among a number of recipients.

Philippines.—The Philippines is the United States' oldest Asian ally and shares U.S. perceptions about the danger to peace in Southeast Asia. The state visit of President Marcos in September 1982 and his discussions with President Reagan served to reaffirm the excellent state of U.S.-Philippine relations.

U.S. military facilities at Subic Naval Base and Clark Air Base in the Philippines are of central strategic importance. With their advantageous geographic position, they help the U.S. protect the Western Pacific sea and air lanes and respond to contingencies in the Indian and Pacific Oceans. They enable the United States to fulfill its treaty obligation to defend the Philippines under our Mutual Defense Treaty.

The requested FMS and ESF levels requested for fiscal year 1984, $50 million for each program, are unchanged from fiscal year 1983 and fiscal year 1982. They reflect President Carter's pledge at the time of the 1979 amendment to the U.S.-Philippine Military Bases Agreement that the United States would make its "best effort" to secure $500 million in security assistance for the Philippines during the period fiscal year 1980–84. Security assistance is a prime element of our good relations with the Philippines and thus of continued and effective U.S. military operations at the bases. It assumes added significance in view of the growing challenge of the Communist New People's Army insurgency, which if unchecked, could ultimately threaten U.S. military facilities. Your support for our fiscal year 1984 request for the full $100 million combined FMS and ESF total—continuing the support the Congress has consistently given to honoring the 1979 pledge—is highly important.

The GOP is expected to request use of the proposed FMS financing for aircraft including helicopters, naval combat systems, ground vehicles, communications gear, engineering and electronics equipment, and other defense articles.

The ESF requested will continue to make a major contribution to improving the lot of Filipinos residing in the areas surrounding our military base facilities. This close association with base security distinguishes our ESF from the less directly connected projects which come under Development Assistance projects in the Philippines. The ESF funds will continue to fund such major activities as (1) a municipal development fund to improve local government administration and construct public works and infrastructure projects in about 21 cities and municipalities adjacent to U.S. military facilities; (2) improvement of municipal market operations and construction of new or rehabilitation of existing markets throughout the country; (3) improvement of social and economic conditions in six provinces adjacent to U.S. military facilities, through the development of high growth related infrastructure projects; and (4) a renewable energy resources project in rural areas using gasifiers, wood and charcoal.

In IMET, we are requesting $1.3 million for fiscal year 1984, the same figure as requested for fiscal year 1983. IMET is closely related to, but not a part of, our MBA with the Philippines. At the time of the 1979 MBA Amendment, Secretary Vance wrote Foreign Minister Romulo that "we will support those efforts (to achieve military self-reliance) by means of our security assistance programs, including the important training component." The Philippine Government has always placed a high value on IMET training in increasing the efficiency and professionalism of its armed forces.

In addition to military assistance, we have requested $40 million in development assistance (DA) and $7.78 million Public Law 480, Title II. A significant portion of the Philippine population lives below the poverty line. The Communist New People's Army (NPA) exploits rural poverty to build support. The Philippine Government is working to improve living standards. Our assistance program emphasizes agricultural production, rural employment and family planning. Although these broad economic and social projects are not as directly tied to our military security as those under ESF, and therefore, are not categorized under the broad rubric of "military assistance", they nevertheless are linked to our broad strategy in the Pacific in the sense that I outlined in my opening remarks on U.S. interests and objectives in East Asia. It was understood at the time of the 1979 MBA amendment that the United States would maintain approximately the 1979 level of development assistance through 1984.

The United States and the Philippines will begin a complete review of the Military Bases Agreement in April 1983 to ensure that the MBA continues to meet our mutual interests.

Thailand.—Thailand's overall FMS request level of $99 million ($94 million in FMS guaranteed credits and $5 million in FMS MAP) is an 8.8 percent increase over the fiscal year 1983 request level of $91 million, and an increase of 20 percent over the fiscal year 1982 funded level of $79.2 million. However, the $5 million in FMS MAP requested for fiscal year 1984 represents a sharp drop in concessionality

from the requested fiscal year 1983 level of $25 million, but a drop which we believe Thailand can handle if the fiscal year 1983 request is fully funded and the overall request levels for all of our bilateral assistance programs requested for fiscal year 1984 are fully funded.

We expect that most of the FMS financing will be used to purchase military equipment which will supplement or replace equipment previously purchased. This includes tanks and missiles. Equipment to be purchased for the first time will probably include aircraft capable of operating against armored units which constitute a major threat to Thailand.

The $5 million which we are requesting in ESF for fiscal year 1984 is half of the fiscal year 1983 request level of $10 million, and the same as the fiscal year 1982 funded level. The requested funds will continue to be used to supplement RTG resources directed to assistance programs in areas which have been most seriously affected by past military incursions and the inflow of refugees. About 200,000 Thais along the border are so affected. Under this program, the RTG is restoring homes, building or repairing roads, furnishing medical facilities and other essential services to Thai villagers. Such economic assistance to Thais adversely affected by refugee inflow is still funded under ESF as a form of security assistance, due in part to the military or security importance of coping effectively with refugees and our security interests in maintaining Thai political support for handling refugees as a country of first asylum.

We are requesting $2.4 million in IMET, and increase of 9 percent over the fiscal year 1983 request level of $2.2 million in order to maintain the training levels necessary to support Thailand's urgent military modernization efforts, on which the RTG places so much emphasis. The Thais always make maximum use of IMET funds allocated to them.

The $29 million in Development Assistance proposed for fiscal year 1984 is a $1 million increase over the fiscal year 1983 request level, and some $400,000 over the fiscal year 1982 level. It is designed to abet RTG efforts to mitigate poverty and facilitate social, economic development in backward areas, particularly such politically sensitive regions as the Northeast. The Thai Government fully recognizes the political hazards inherent in a "grapes of wrath" economy, and accordingly gives development its highest budgetary priority. Finally, our Development Assistance to Thailand is designed to promote growth in the private sector to help limit the time period in which Thailand will require economic assistance.

Indonesia.—The $50 million in FMS requested for fiscal year 1984 is the same as the fiscal year 1983 request level, but exceeds the fiscal year 1982 funded level by $10 million or 25 percent. Modernization of existing forces continues to be the major thrust of the FMS financing program. However, if the Indonesians select a U.S. fighter aircraft and it is approved for sale, we expect that over half of its fiscal year 1984 credits will be used for initial payments for the purchase of such aircraft from the United States. The remainder may be spent on other air defense systems such as the Stinger missile, the Vulcan or Chapparal air defense equipment. The GOI also has a strong, continuing interest in purchasing 4–6 used ships, particularly Corvettes, Frigates and patrol craft. If such become available, the GOI may give high priority to such purchases.

The IMET request level of $2.7 million is an increase of less than 3 percent of the fiscal year 1983 request level of $2.625, and exceeds the fiscal year 1982 funded level of $2.2 million by 22.7 percent. The top levels of Indonesia's leadership continue to stress the importance of proper training as a component of military modernization and regard U.S. provision of adequate IMET levels as indicative of U.S. commitment to Indonesia's security. Indonesia's military remains in critical need of more qualified technicians, managers and officers with adequate professional military education. Most students in the fiscal year 1984 program will take courses in these fields. This program will permit about 300 Indonesian middle grade officers, who will be the backbone of their country's future military and government establishments, to travel to and train in the United States. The Mobile Training Team (MTT) component of the program provides for on-site instruction in technical subjects to military technicians.

Our Development Assistance request for fiscal year 1984 is for $64 million, a reduction of $1 million from the fiscal year 1983 request, and a little over $3 million short of the fiscal year 1982 funded level. Our request for $30 million in Public Law 480, Title I, would hold the line at the fiscal year 1983 level, but the requested $9.246 million in Title II would be a slight increase over the fiscal year 1983 level.

Our Development Assistance and Public Law 480 request is aimed at fostering the continued stability of the Indonesian economy and government in the face of a deteriorating global economy. In the past 2 years Indonesia's export earnings, which

have fueled its past impressive development, have dropped by a third. A serious drought and other natural disasters reduced the 1982-83 rice drops substantially, slowing Indonesia's drive to reach food grain self-sufficiency in the face of a growing population. In this context, Indonesia continues to need and deserve development and Public Law 480 assistance at the requested levels.

Malaysia.—The $12.5 million FMS request level for Malaysia in fiscal year 1984 is a straight-line of the fiscal year 1983 request level and a 25 percent increase over the fiscal year 1982 $10 million program. Malaysia is expected to use the FMS credits requested toward purchase of F-5E and A-4 aircraft, and for radar equipment to upgrade its air defense capability.

The IMET request of $900,000 is an increase of $50,000 or 6 percent over the fiscal year 1983 requested level of $850,000 and exceeds fiscal year 1982's $500,000 program by $400,000 or 80 percent. These higher levels are essential to provide the trained personnel to mold the conventional force structure already mentioned. These training requirements should be addressed now, on a priority basis, and the time to build the relationships with the Malaysian military and government by providing the training desired, is now. However, Malaysian budgetary constraints suggest that GOM will not send military students to any country which does not provide the funding.

Singapore.—U.S. interests in Singapore relate to our objectives of promoting Southeast Asian stability and maintaining unimpeded transit for United States and allied commercial and military air and sea traffic between the Pacific and Indian Oceans, as well as maintaining access by U.S. naval and air forces to Singapore's excellent sea port, ship supply and repair services and air terminal facilities. The economic vitality of Singapore, its active role internationally and strategic location at the entrance to the Straits of Malacca accord Singapore an importance far in excess of what its geographically small size would suggest.

U.S. military assistance to Singapore in fiscal year 1983 consisted of $50,000 in IMET. The same level is being proposed for fiscal year 1984. Because of Singapore's relatively advanced economy, additional assistance is not warranted. This nominal level of assistance, however, demonstrates to a friendly, non-aligned nation our continuing interest in its security and helps ensure that the Singaporean Armed Forces continue to look to the United States for training and equipment purchases. This assistance program is consistent with U.S. policy supporting ASEAN.

Burma.—While we do not expect a change in Burma's basic commitment to nonalignment, it is in our interest to encourage its continued, quite opening to the West. Although it is currently one of the world's poorest countries in per capita income, it has significant mineral and agricultural resources which, if properly developed, could insure internal prosperity and contribute to economic prosperity in the region as a whole. A small investment now could therefore yield significant dividends later.

U.S. AID and IMET programs resumed in fiscal year 1980 after a 16-year hiatus and have grown rapidly although they remain relatively small. Together with our anti-narcotics assistance to Burma, these programs have promoted a warming of our bilateral relations at the same time that Burma has been spurning approaches by the Soviet Union. They have also supported our broader interests, including narcotics cooperation, and have responded to specific Burmese requests.

The $12.5 million in Development Assistance proposed for fiscal year 1984 represents a $1.3 million decrease from fiscal year 1983, which has been necessitated by current budgetary constraints. While this figure is sufficient to maintain existing agricultural development and public health projects, the planned expansion of our AID program will require slightly higher funding levels in subsequent years. The modest increases contemplated will maintain the momentum of our program, assist Burmese development efforts in a number of promising new areas, and demonstrate to the Burmese our continued concern and commitment.

The proposed 25 percent increase in IMET funding in fiscal year 1984 to $250,000, will enable about 45 Burmese officers to receive U.S. military training, compared to 35 officers in fiscal year 1983. These officers will gain exposure to U.S. concepts and systems by attending courses in the U.S. Army Command and General Staff College program, helicopter maintenance, field artillery, and other subjects. Given the key role of the military in Burma's political structure, IMET training will have a favorable long-term impact on Burmese attitudes toward the United States far out of proportion to its modest cost.

We will continue to assist Burma anti-narcotics efforts, primarily through maintenance support for aircraft which we have supplied for use in anti-narcotics operations. Both we and the Burmese attach high priority to curbing narcotics produc-

tion and trafficking in Burma, and maintain an active dialogue regarding ways in which we might cooperate more closely to achieve this objective.

Pacific Islands.—World War II demonstrated the importance of the Pacific Islands, which lie across the lines of communication between the U.S. West Coast and Australia, New Zealand and Southeast Asia, to our security. The importance of these lines of communication has increased greatly over the past 40 years.

Since the war, island states have undergone great changes, and in the past 20 years have, in the main, transformed themselves from dependent to independent states. Our relations with them are friendly; we share a belief in democratic government and a devotion to individual liberties. It is in the U.S. interest to assist island governments in their efforts to promote economic growth.

For the third straight year, we have requested $5.1 million in Development Assistance to support an innovative, region-wide program to improve agricultural and fishing techniques, and to promote regional cooperation in this area of small populations and small markets. Our military assistance programs are even more modest in size.

Fiji.—The $80,000 IMET program requested for fiscal year 1984 would be a $25,000 increase over fiscal year 1983's initial funding level. The additional money will assist the Royal Fiji Military Forces in acquiring needed professional and technical skills to better operate a small, but modern defense force, which permits them to continue their participation in Middle East peacekeeping forces.

The Fiji Government is pro-Western and broadly supportive of U.S. policy goals in international fora. Fiji's participation, at our request, in the Sinai MFO was critical to international acceptance of the organization; Fiji has also provided since 1978 one of the best trained battalions to the U.N. Forces in Lebanon. Fiji stations more troops in the Middle East to try to keep peace there than it garrisons at home.

Papua New Guinea.—The United States has enjoyed friendly relations with Papua New Guinea before and Since its independence from Australia in 1975. The country's size, strategic location and resources make it a major actor in the South Pacific.

Papua New Guinea maintains the largest defense force in the Pacific Island region, and it has recently increased its military's cooperation with the U.S. Army's Western Command (WESTCOM). The proposed fiscal year 1984 IMET program of $30,000 is an increase of $10,000 over last year's request level, enough to permit adding one, or perhaps two, additional training programs. Papua New Guinea is expected to use its IMET grant to provide staff or technical training for two or three officers, and equipment repair and maintenance courses for the same number of enlisted men.

Tonga.—The United States has a long history of missionary and merchant contacts with the Kingdom of Tonga. This small, pro-Western and staunchly anti-Communist nation has publicly welcomed U.S. Navy ships, and has done so when other island governments, concerned over an upsurge in public sensitivity to nuclear energy uses, have been reluctant to do so. Tonga's defense budget is very small, and the nation is still recovering from the effects of a disastrous hurricane which swept through Tonga in early 1982.

This is the first IMET program that we have proposed for Tonga. The requested $30,000 will be used to train Tonga Defense Force officers aned men in a mix of professional and technical courses, from mid-level command training to patrol boat maintenance and disaster relief techniques.

ASEAN.—ASEAN continues as a major force for stability in Southeast Asia and is of central importance to U.S. interests in the region. The ASEAN nations are united in their opposition to the continuing Soviet-supported Vietnamese occupation of Kampuchea and they are resisting the expanding Soviet military presence in the region. Soviet port calls are denied by all member countries, for example.

The proposed $4.5 million Development Assistance program for fiscal year 1984 will fund scholarships and training in Southeast Asia studies and regional programs in agricultural planning, plant quarantine, watershed conservation and tropical medicine. Although only a portion of the $18.3 million in Asia Regional Development Assistance will be allocated to East Asia, we urge full funding of this request. Full funding will permit initiation of an ASEAN small industries project. We feel strongly that it is in the U.S. interest and cost-effective to strengthen the free market economies of ASEAN countries.

China.—Having now completed the discussion of security assistance recipients, I now want to emphasize the importance the Administration places on completing action on proposed legislative changes for China.

Our rapprochement with China over the past decade has made important contributions to global and regional peace and stability. United States-China relations have meshed well with our alliance and security relationships in Asia and Europe.

The relationship has also produced many other bilateral benefits. Our expanding economic, scientific, and cultural ties have been mutually beneficial and have become a very important element in our overall relationship. A strong factor is our two-way trade in goods which totalled $5.2 billion during 1982, with a surplus of $628 million in the U.S. favor. We share a broad range of official exchanges—over 100 Chinese delegations visit the United States each month—and over 9,000 Chinese students now study in the United States. In 1982, over 100,000 Americans visited China. The 17 protocols under the United States-China S and T Agreement have promoted valuable exchanges in such widely varying fields as earthquake studies, hydropower and health.

Consistent with our growing relationship, the President in June, 1981 decided to seek legislative change to laws that link China with the Soviet bloc. I am pleased to note that with your assistance, important progress was made in this effort during the past year. Congressional clarification of language in the Agricultural Trade Development and Assistance Act now permits the President to declare China eligible for Public Law 480 programs. In addition, the President recently signed legislation lifting the prohibition on importation of Chinese furskins.

The proposal to eliminate the prohibition of foreign assistance to China, which was submitted to the Congress in our fiscal year 1983 Authorization Bill, received favorable consideration in both the Senate Foreign Relations and House Foreign Affairs Committees. However, the overall bill was not passed by the 97th Congress for reasons unrelated to China. We have resubmitted the proposal concerning China in this year's foreign assistance bill.

I would again emphasize that we have no plans to establish bilateral Development Assistance or Public Law 480 programs for China. Our principal interest in amending these laws is to insure that, in principle we treat China in the same way that we treat other friendly, non-aligned countries. We do not plan to request additional funds for China as a result of these amendments.

Amendment of the Foreign Assistance Act would allow China to participate in ongoing AID Technical Assistance Programs, under current funding levels, in the same manner as do not most countries. We previously provided the Committee staff a paper outlining the type of ongoing projects which we would consider for China. We have not discussed any of these ideas with the Chinese and will not do so until the law is amended. I would stress that Chinese participation in these programs will not threaten AID programs with other countries, but will contribute to China's development through existing AID research and training projects while familiarizing the PRC with commercially available U.S. technology.

We would, of course, consult closely with the Congress if, in the future, we should decide that Development Assistance programs for China were in the U.S. interest. The initiation of an assistance program for China would also be subject to the normal authorization and appropriation procedures.

Senator MURKOWSKI. I am going to interject here. You know, the President proposed in his speech yesterday that $60 million of the money already appropriated for our worldwide military assistance program be immediately reallocated to El Salvador, and I am told that the worldwide foreign aid figure is about $6.2 billion, so there may be something left over.

Mr. WOLFOWITZ. I understand that with respect to funds already appropriated, we anticipate nothing will be taken from East Asia. There will be probably some modest impact on the supplemental fiscal year 1983 request.

Senator MURKOWSKI. Is that what all of the various Secretaries are saying this morning? None of it will be taken from their area?

Mr. WOLFOWITZ. No, I do not think so.

Senator MURKOWSKI. Do you know where it is going to be cut?

Mr. WOLFOWITZ. I think there will be a decision shortly. I have some ideas.

[The following information was subsequently supplied for the record:]

On March 11, 1983 the President decided that the situation in El Salvador demanded immediate reprogramming of fiscal year 1983 FMS guaranteed credits and MAP. East Asia programs under the fiscal year 1983 continuing resolution were not affected. However, this action did necessitate a revision of the fiscal year 1983 supplemental request to compensate for serious cuts under the CR in critical programs in other regions.

The revised fiscal year 1983 supplemental submitted to Congress on March 11 includes the following amounts for East Asia programs; Korea/$60 million in FMS guaranteed credits, Thailand/$19 million in guaranteed credits, $6 million in MAP, Indonesia/$21 million in FMS guaranteed credits, Malaysia/$3.5 million in FMS guaranteed credits, for a revised fiscal year 1983 supplemental request of $109.5 million in guaranteed credit and MAP.

This urgent and critical reprogramming of the CR and revision of the supplemental request only highlights the fact that current foreign assistance funding levels throughout the world are simply inadequate to meet United States foreign policy objectives, in Asia and elsewhere.

Senator MURKOWSKI. Please proceed.

Mr. WOLFOWITZ. I had some responses to your questions, but I think maybe it would be fairer to my colleagues to let them proceed, and then get to them.

Senator MURKOWSKI. Please proceed. We are going to hold questions until the end of the panel presentation.

STATEMENT OF CHARLES W. GREENLEAF, JR., ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. GREENLEAF. Mr. Chairman, I appreciate the opportunity to testify in support of AID's budget request for East Asia for fiscal year 1984. The funding requested for East Asian countries includes $155 million in developmental assistance for Indonesia, the Philippines, Thailand, Burma, ASEAN, and the Pacific Island countries, $55 million in Economic Support Funds for the Philippines and Thailand, and $47 million for Public Law 480 Titles I and II food aid.

In my written remarks, I have discussed the development context within which this funding request is made. I highlighted key elements of the fiscal year 1984 request, and also offered some illustrations of how our aid programs address the basic human needs of poor people in East Asian countries.

The AID program will continue to address our mandate from Congress to meet the basic human needs of the rural poor in countries we assist. With that in mind, the proposed 1984 program is being designed with continued attention to the new developmental emphases of this administration: greater emphasis on economic policy reform, technology transfer and institutional development, and private enterprise solutions to development problems in the various sectors.

I thank you for the opportunity to appear before you today, Mr. Chairman, and I look forward to answering your questions.

[Mr. Greenleaf's prepared statement follows:]

PREPARED STATEMENT OF CHARLES W. GREENLEAF, JR.

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to testify in support of the Asia Bureau's request for fiscal year 1984, with emphasis on East Asia.

The funding requested for East Asian countries includes $155 million in Development Assistance for Indonesia, Philippines, Thailand, Burma, ASEAN and South

Pacific Regional; $55 million in Economic Support Funds for Philippines and Thailand; and $47 million for Public Law 480 Titles I and II food aid. These resources for East Asia represent nearly one-third of the total Bureau for Asia request in these funding categories.

The AID program is designed to help cooperating countries eliminate the causes of pervasive poverty in order to increase individual well being, facilitate national and regional political and economic stability, maintain U.S. use of selected military facilities, reduce international narcotics traffic, preserve U.S. access to strategic imports, and promote U.S. exports and investments.

The proposed fiscal year 1984 program is being designed with continued attention to the development emphases of this administration:

Greater emphasis on economic policy reform. We will join with multilateral and bilateral donors to encourage improved macroeconomic policies. The AID program itself will impact most heavily on policies at the sectoral and project levels. Examples include administrative and policy changes in the role of rural government in the Philippines, better management practices pertaining to irrigation systems in Indonesia, and policy reform activities in Thailand.

Greater emphasis on technology transfer and institutional development. The goal is to help build the capacity of Asian developing countries to deal more effectively with poverty and economic growth.

Emphasis on private enterprise solutions to development problems in agriculture, health and population, education and energy. For example, in Thailand we are supporting the transfer of scientific knowledge to local industries. In Indonesia, we support the development of light manufacturing enterprises.

In agriculture, rural development and nutrition, our East Asian objectives are to increase farm incomes and off-farm employment by helping to strengthen: agriculture research, extension and educational systems; rainfed resources management, including uplands and secondary crops, agro-forestry and watershed management; irrigation and water management; and by promoting private sector agribusiness and small and medium enterprises aimed to generate off-farm employment.

In health, the priorities are to increase access to effective, affordable health services and to strengthen health institutions, especially to reduce infant and child mortality. The population program calls for broad program support of national delivery systems for family planning services.

INDONESIA

For fiscal year 1984, we are requesting $64 million in development assistance and $39.2 million in Public Law 480 Title I/II for Indonesia. This represents an increase over fiscal year 1983 due to the addition of Title I rice in response to a long and difficult drought.

Indonesia, a country of over 150 million people, occupies a position of strategic importance in Southeast Asia. It has enjoyed 15 years of stable government under President Suharto, and represents a moderate voice in OPEC and in the developing world. It provides the United States with such vital commodities as petroleum, rubber, tin, and natural gas.

Despite these and other resources, however, Indonesia is a poor country with a per capita GNP of $520; some 65 million people are classified as poor. Contributing to the country's widespread poverty are: a large, growing and maldistributed population (80 percent of the people live on 7 percent of the land); inadequate social, physical and technological infrastructure; and an insufficient cadre of skilled entrepreneurial and managerial talent.

Indonesia has used its oil revenues to address development problems. Although the world's largest rice importer in the 1970's, it achieved self-sufficiency in 1981. The recent drought will, however, make some imports necessary this year. It has made very impressive strides in family planning; the population growth rate dropped from 2.6 percent in 1965 to less than 2 percent in 1980. Similar improvements have been made in education: over 90 percent of children now receive some level of schooling.

The AID program aims to enhance Indonesia's human resources and improve its institutional capacity by:

Increasing off-farm employment.—This area is complex and relatively new for AID, particularly those activities aimed at widening opportunities in the private sector. AID assistance will be directed at studies of constraints to enterprise development, support for rural financial institutions, management training, investment information, and non-oil export promotion. Great care will be taken to assure that

the benefits of U.S. assistance in this area are relevant to rural economic growth and social equity.

Strengthening food production and resource management.—The major goal is to bring to a successful conclusion past efforts to achieve rice self-sufficiency, and to encourage the development of secondary food crops. Attention will be given to: (a) completing the development of agricultural research networks; (b) developing a broad based and coordinated agricultural planning system; and (c) strengthening water resources management, including the development of farming systems in upland watershed areas.

Improving primary health care and completing the institutionalization of family planning.—The major goals are two-fold: (a) reducing morbidity and mortality of infants, children under five, and women of reproductive age; and (b) assisting the government to achieve its national goal of lowering the crude birth rate from 32 to 22 by the end of the decade. Within the health sector, priority will be given to: (1) helping design cost-effective systems to reduce diarrheal disease and related morbidity and mortality, and to immunize children against selected diseases; (2) improving health care management; and (3) completing an evaluation of a USAID-supported integrated family planning program and improving data on nutrition and nutrition interventions generally.

AID's objectives in family planning are: (1) helping establish effective approaches to urban family planning; (2) developing closer ties between health and family planning programs; and (3) assisting to overcome specific problems in selected densely populated provinces. The U.S. financial input to this program is expected to decrease in the next few years as Indonesia takes on increasing responsibilities for contraceptive manufacture and procurement.

Accelerating human resources development.—The major goal is to strengthen the education and training at various levels of government, universities, and the private sector to encourage educational planning and to strengthen management training.

PHILIPPINES

In fiscal year 1984 we are requesting $40 million in Development Assistance, $50 million in Economic Support Funds, and $7.8 million in Public Law 480 Title II food assistance. These amounts maintain current levels of support, with a slight reduction in Public Law 480 Title II.

U.S. interests are security, economic development, and trade and investment. Since Philippine independence in 1946, U.S. objectives have centered on maintaining U.S. military facilities and supporting the development of our former colony through economic recovery and growth. The Philippines is a U.S. treaty ally. U.S. security assistance plays a key role in assuring continuing unhampered use of Clark Air Base and Subic Bay Naval Base. These facilities are essential for demonstrating our continued concern for peace and security in Southeast Asia, and maintaining the U.S. position as an Asian and Pacific power. In April 1983, we will undertake a scheduled review of our Military Bases Agreement with the Philippines.

The United States has a strong economic and humanitarian interest in continued Philippine economic development, with special emphasis on progress toward equitable growth and an enhanced capacity of the Philippine people to meet their basic human needs. A thriving commercial trade and U.S. investment provide an important link in our bilateral relationship, with the Philippines importing nearly $2 billion of U.S. goods each year.

The Philippine economy, with its expanding industry and modernizing agriculture, grew at an average annual rate of 6 percent in the 1970's. GNP per capita rose to $730 in 1981. With the worldwide economic slowdown, however, Philippine economic growth decelerated to 2.6 percent in 1982. The trade deficit mushroomed to over $3 billion, the debt service ratio rose to 25 percent and the budget deficit soared to $1.8 billion. After 2 years of unsuccessfully fighting a recession with expansionary economic policies, the Government recently reversed course and accepted an economic austerity program advocated by the IMF. The budget has been cut by 18 percent, the peso has been allowed to depreciate rapidly, and new taxes are being introduced.

Serious development problems need to be addressed if economic growth is to accelerate during the 1980's. Economic growth during the 1970's has not significantly improved the status of poorer Filipinos; at least 39 percent of the population lives below the absolute poverty income level. The rapid rate of population growth—2.5 percent in 1981—has led to environmental degradation, including widespread deforestation, and has contributed to growing unemployment. An industrialization pro-

gram, heavily concentrated in Manila, followed a capital-intensive import substitution strategy and exacerbated these problems.

The cycle of poverty has undermined security in many of the poorer regions of the Philippines. Many of the rural poor, because of their remote locations, have limited access to government programs which would help break their cycle of poverty. Without land and other traditional income resources, the poor are forced to seek off-farm employment. Increasingly limited markets for their labor in rural areas have forced many to migrate to urban and other areas where the prospects for employment seem greater.

Agricultural production programs succeeded in making the country self-sufficient in rice; nationwide investments in such areas as irrigation, rural electrification, and rural roads helped to raise incomes and living standards for large segments of the rural population. New investment and tariff policies are encouraging labor-intensive, export industry.

The U.S. assistance program is directed at generating more productive rural employment in especially poor regions of the country. The program emphasizes increasing agricultural productivity in rainfed areas, encouraging private enterprise development in rural areas, improving local control over resource mobilization and allocation, and reducing fertility and infant mortality.

Rainfed resources activities address problems of agro-forestry and coastal zones through the development of farming systems and policies appropriate to increased production and income for farmers in rainfed areas and coastal fisherman. Efforts to generate off-farm employment focus on improving small and medium enterprise access to important inputs such as management, technology, credit, and marketing resources.

AID continues to provide financial support for the Philippines' family planning program. Health activities aim to reduce the cost of adequate primary health care by promoting greater efficiencies in service delivery. Approaches which mobilize private sector resources in health are being explored to help lower the cost of delivery.

The Public Law 480 Title II program continues towards a scheduled phase out in fiscal year 1987 and will be directed toward support of the maternal and child health feeding program.

The Economic Support Funds (ESF) total $200 million over 5 years and represent part of the $500 million of military credits and economic assistance associated with the 1979 Amendment to the 1947 Military Bases Agreement. The ESF funded activities emphasize improving the social and economic conditions of the areas contiguous to the U.S. military facilities as well as supporting other selected development activities throughout the country.

In fiscal year 1984, the $50 million ESF obligations finance projects which: (a) support municipal infrastructure and revenue generating activities in municipalities and towns adjacent to the Clark and Subic military facilities; (b) improve market operations and construct and rehabilitate local market facilities; (c) fund high-priority infrastructure activities in provinces adjacent to the military facilities; and (d) support non-conventional energy activities based on the production of fast-growing fuelwood.

THAILAND

For fiscal year 1984, we are requesting $29 million in Development Assistance and $5 million in Economic Support Funds. These levels are essentially the same as requested last year.

The United States has a fundamental interest in the stability and independence of Thailand as a contributor to peace and regional cooperation in Southeast Asia. We share with Thailand mutual interests in the maintenance of peace throughout Southeast Asia, reduce the flow of illicit narcotics, and humane resolution of the plight facing hundreds of thousands of Vietnamese, Cambodian and Laotian refugees. Thailand and the United States also enjoy strong commercial and trade relationships.

For the last several decades Thailand has experienced a consistently high rate of economic growth, averaging about 7 percent annually. The private sector in particular has been the stimulant for national economic growth, presently accounting for 65 percent of national investment, 85 percent of consumption expenditures and 90 percent of savings.

However, this impressive performance has not been without its problems. Chief among these have been successively larger trade deficits reaching a record $2.8 billion in 1981, mounting external debt totaling some $8 billion, and serious regional disparities in the distribution of wealth. Thailand's northeast region, where AID re-

sources are presently concentrated, contains over half of the nation's 14 million poor. Upwards of 30 million Thais earn less than $250 annually; almost half of the total population lives under conditions of absolute poverty.

The Royal Thai Government has embarked on a concerted program to deal with the structural imbalances within the nation's economy in order to spread the benefits of growth more equitably. The current Five-Year Plan is the first to explicitly recognize the need for alleviation of proverty in backward rural areas. We are supporting Thai development objectives through an AID strategy which concentrates on the delivery of basic services and improved technology to rural areas. AID is also currently exploring with the Thai Government means to accelerate scientific and technological advance, and broader participation of the private section in economic development.

The fiscal year 1984 program emphasizes:

Use of U.S. market analysis capabilities, promotion expertise and media technology to collect and disseminate basic information on agricultural markets and production factors to farmers and entrepreneurs in rural areas;

Establishment of a Thai Development Institute to enhance development policy capabilities, and help define national strategies for economic growth and progress;

Continued support for a variety of ongoing projects aimed at improving the productivity and incomes of farmers on marginal, rainfed lands;

Continued support of the Thailand National Family Planning program which seeks to reduce the rate of population growth to 1.5 percent by 1986; and

Provision of Economic Support Funds to assist nearly 200,000 Thai villagers in border areas adversely affected by the influx of refugees and military incursions.

BURMA

For fiscal year 1984, we are requesting $12.5 million in development assistance. This is below the current year's level of $13.8 million and represents the minimum amount of support required to implement the AID/Burma Program during fiscal year 1984.

U.S. interests and foreign policy objectives in Burma are strategic, political, developmental, humanitarian and commercial. Burma is the largest country in mainland Southeast Asia; the United States is interested in the long term stability and progress of Burma as an independent nation. U.S. development and humanitarian interests stem from a recognition of Burma's long term potential for economic growth. U.S. commercial interests are becoming more important as well; with increased economic growth, Burma purchased $80 million of U.S. products in 1981–1982.

The AID program, which was resumed in 1980 after an absence of 15 years, strongly supports all of these interests and objectives. It is often identified by the Burmese Government as a key contributing factor in the continuing improvement in bilateral relations.

Overall growth in the economy has been accelerating—rising to an annual average of 6.8 percent over the past 4 years. However, Burma is still the world's ninth poorest country with a per capita income of only $170. Nevertheless, Burma is self-sufficient in food and energy and has great potential because of its immense size, its large unexploited natural resource base and its anticipated petroleum and natural gas reserves. Furthermore, its favorable population-to-land ratio, educated workforce, and its expected increase in the use of improved agricultural techniques provide an enormous potential for greater agricultural production.

During the 1970's, Burma began to give greater priority to economic growth and performance. A tax reform program expanded government revenues, interest rates were raised, more efficient commercial practices were introduced for government enterprises, and some agricultural prices were increased.

Despite these encouraging signs, serious problems continue to restrict Burma's economic progress, including a high rate of rural and urban unemployment, shortages of goods and skilled personnel, a dual system of government subsidized prices and free market prices, and inadequate infrastructure in nearly every sector. In addition, the debt service ratio reached 29 percent in 1981–82 and continues to grow.

AID's strategy is to select a few sound Burmese development efforts in key sectors that show the greatest promise of contributing to economic growth and to concentrate AID support on these programs for a sufficient period of time to show measurable results.

The AID program concentrates on supporting two high-priority Burmese programs of national scope: maize and oilseed production and extraction in the agricultural sector, and primary health care in the health sector. Because of Burma's high potential for agricultural production increases, AID is engaging in a long range

strategy to help raise Burma's production and make it self-sufficient in selected food crops such as edible oils. These efforts will also increase the incomes and health of the rural poor. AID's health sector support aims to reduce mortality and morbidity, especially among infants and children.

The requested program for fiscal year 1984 includes the following:

Continued assistance for a long term effort to increase production of selected food crops such as maize and oilseeds, including the introduction of improved technology;

Continued support to expand the coverage of primary health care services to additional rural areas; and

Continued assistance for the training of Burmese nationals in various sectors.

ASEAN PROGRAM

A program level of $4.5 million in grant Development Assistance is currently being planned for the Association of Southeast Asian Nations (ASEAN). The assistance will primarily maintain current support in ongoing ASEAN regional projects, and permit the start of one new project. ASEAN regional assistance concentrates on improving the capability of existing regional institutions. The AID assistance consists mainly of technical assistance and training, frequently in regional institutions founded or supported in the past by AID, and is funded from the Asia Regional account.

ASEAN was formed in 1967 by the governments of Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Its purpose is to establish regional identity and to promote regional cooperation. ASEAN moved slowly in its early years. However, following the Communist take-over of Vietnam in 1975, there was a renewed realization of ASEAN's importance and it rapidly moved towards becoming a cohesive, respected, and stabilizing economic and political force. We have strongly encouraged this regional integration and stabilization, and the ASEAN association continues to be the keystone of U.S. regional policies in Southeast Asia.

The ASEAN region has a population of more than 250 million, about two-thirds of whom reside in rural areas. Several social and economic indicators for the ASEAN region are relatively high compared to other developing areas. However, pervasive rural poverty, inadequate employment opportunities, large trade deficits and growing demands for a more equitable distribution of social and economic benefits remain forces for weakening the political and economic structures of the member countries, as well as regional unity. External assistance will continue to be sought by ASEAN.

The AID program primarily consists of agriculture, health, and energy activities. From fiscal year 1979—the first year of AID assistance—through fiscal year 1983, we will have committed $17.8 million for U.S.-ASEAN development cooperation. There are currently seven on-going AID-ASEAN regional projects, and one new start is planned in fiscal year 1983 for Watershed Management. AID assistance to ASEAN for regional projects is in addition to AID bilateral assistance programs to Indonesia, Thailand, and the Philippines.

SOUTH PACIFIC REGIONAL

For fiscal year 1984 we are requesting $5.1 million in grant Development Assistance, primarily to maintain current levels of support in ongoing programs. The objective of our program is to assist the development of ten independent island countries by: (1) supporting the work of United States and indigenous private and voluntary organizations (PVOs); (2) supporting the development work of South Pacific regional institutions; and (3) cooperating with the U.S. Peace Corps in small community development projects. These countries are Papua New Guinea, Fiji, Solomon Islands, Tonga, Western Samoa, Vanuatu, Tuvalu, Kiribati, Cook Islands, and Niue.

The South Pacific region has a population of approximately 4.4 million, 80 percent of which resides in Papua New Guinea and Fiji. The region covers 4.0 million square miles, 75 percent of which is ocean. Prior to 1962, all of the South Pacific islands were under colonial control. Since then, nine sovereign nations and two freely associated states have been formed. This process has occurred with almost no violence and a minimum of turmoil. Relations among the island nations, and between them and the United States, are friendly and cooperative.

The regional economy is predominantly subsistence agriculture and fisheries. Most countries have balance of payments difficulties stemming from high costs of imported goods and petroleum products and low world prices for commodity and mineral exports. The current relatively high levels of dependence on foreign aid will continue.

The AID program began in the mid-1970's, primarily in response to requests from our ANZUS partners (Australia and New Zealand) to increase U.S. presence in the region and assist them and other donors in seeing that the newly independent island states maintain stable environments for political and economic growth.

The U.S. role is one of a minor donor, supporting and supplementing the larger bilateral and multilateral donors (Australia, New Zealand, the United Kingdom and the Asian Development Bank). Total outside development assistance to the region is about $550 million annually with AID supplying about one percent of the total.

The AID program focuses on institution building and technology transfer through support of PVO and Peace Corps community development projects. Activities emphasize out-of-school, non-formal education and vocational training in needed skills, principally for small farmers and fisherman, village women, and unemployed youth. Assistance to regional institutions emphasizes agricultural development, satellite communications, water and sanitation, tuna research, and training.

In summary, our assistance effort in the East Asian countries continues to focus on improving the lives of the poor with decreasing use of resource transfers and increasing reliance upon the private sector, transfer of technologies, institution building, and policy dialogue with host countries.

Thank you for the opportunity to appear before you today. I look forward to answering your questions.

Senator MURKOWSKI. Please go ahead, Commodore.

STATEMENT OF COMMODORE STEWART RING, DIRECTOR, EAST ASIAN AND PACIFIC REGION, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS, DEPARTMENT OF DEFENSE

Commodore RING. Thank you, Mr. Chairman. Thank you for this opportunity to offer comments from the defense perspective on the administration's fiscal year 1984 foreign assistance requests for East Asia and the fiscal year 1983 supplemental request.

Mr. Armitage deeply regrets that he was unable to be here with you this morning due to illness. He was especially looking forward to having the opportunity to appear before you in your new capacity as chairman of this very important subcommittee.

Senator MURKOWSKI. Please pass on my condolences, and I hope he makes a quick recovery.

Commodore RING. I shall indeed, sir. Thank you. I am pleased and honored to represent him here today. His written statement has been submitted for the record. I will summarize it briefly in these remarks.

We feel very strongly as a department and I am personally convinced that a strong, coherent, and reliable security assistance program adequately funded by Congress is an absolutely essential complement to our efforts to strengthen America's defenses. I am certain that the administration's requests for East Asia are fully justified on these grounds. If anything, they are less than we really need, because of our efforts to keep the request to minimum prudent levels in view of economic constraints.

The security of East Asia and the Pacific is vital to the security of the United States. Five of the seven defense agreements to which the United States is a party are located there, including bilateral treaties with Japan, Korea, and the Philippines, the Manila Pact, which adds Thailand to our treaty partners, and the ANZUS Treaty. Each and every one of these agreements is more important today than on the day it was signed.

During the past decade and a half, the Soviets have taken disturbing steps to improve their military capabilities and expand

their influence throughout the region. Their efforts continue unabated. The war between Vietnamese occupation forces and the Khmer resistance forces continues in Kampuchea with cross-border incursions into Thailand and attendant dangers to the security of our Southeast Asia ally.

North Korea continues to expand and modernize its armed forces, which are offensively configured and which already exceed any rational measure of purely defensive requirements.

We are urging all of our allies to do more in the common defense against these threats to the security of the region. Three of our six Pacific allies are capable of doing so without U.S. security assistance. However, the other three look to us for financial support, and they, the Republic of Korea, Thailand, and the Philippines, would receive the major portion of the East Asia fiscal year 1984 request for security assistance. Korea and Thailand are also the only countries in the region for which we are seeking increases over the fiscal year 1983 FMS credit request.

The least expensive and most effective way to improve the capabilities the U.S.-ROK combined forces command to defeat and thereby deter North Korean attack is by assisting the ROK to improve the capabilities of its forces. Our Korean allies at great sacrifice are increasing their defense capabilities and contributing to the cost of U.S. forces as well. The Koreans believe that their efforts justify asking the United States to help them make their purchases now, when they are needed, by offering substantial amounts of credit. Successive Secretaries of Defense have agreed and pledged their best efforts to provide the needed credits. However, as one of the largest programs not earmarked traditionally by Congress, the Korea program is usually the one to suffer most when Congress cuts the budget or leaves us with a continuing resolution.

For Thailand, the symbol of our commitment is our willingness to provide security assistance support. Not only Thailand but the other ASEAN states and undoubtedly Vietnam and the Soviet Union as well look to our security assistance for Thailand, the ASEAN front line state, as a major indicator of U.S. security interests in the region.

The Thai are engaged in a program to modernize their conventional defenses against the Vietnamese threat on their borders. They need help to finance their purchasers so that they can continue at the same time the social and economic programs which have been successful in reducing the insurgent threat.

Unhampered use of the facilities at Clark Air Base and Subic Naval Base is very important to our forward deployments in the Western Pacific and to our ability to project forces into the Indian Ocean. This is the strategic rationale for making good on the levels of assistance pledged by President Carter at the conclusion of the 1979 amendment to the Military Bases Agreement.

The remaining major recipients of security assistance in East Asia are Indonesia and Malaysia. Although nonalined, Indonesia and Malaysia are friendly nations to maintain positions on numerous issues, including rights of passage through critical sea lines of communications, which are compatible with U.S. policy. U.S. support for efforts to modernize the defense forces of these countries helps to maintain their confidence in their ability to resist in-

timidation from the growing Soviet power projection capability in Southeast Asia. It thereby helps assure friendly flanks for the strategic straits through which shipping critical to the security and the well-being of the United States and its allies must pass.

I submit, Mr. Chairman, that there is a strong and compelling strategic rationale for our security assistance to all of our East Asian aid recipients. Our security assistance programs complement and support U.S. foreign deployments in the region, and enhance our collective ability with our allies to deal with the increased threats to peace and security in east Asia.

Thank you, sir.

[Mr. Armitage's prepared statement follows:]

PREPARED STATEMENT OF HON. RICHARD L. ARMITAGE

Mr. Chairman, thank you for this opportunity to offer comments from a Defense perspective on the Administration's fiscal year 1984 foreign assistance request for East Asia and on its fiscal year 1983 Supplemental request. This is my first opportunity to appear before you, Senator Murkowski, in your new role as Chairman of this Subcommittee. Therefore, I am especially pleased and honored to be able to meet with you today.

We feel very strongly as a Department and I am personally convinced that a strong, coherent, and reliable security assistance program, adequately funded by Congress, is an absolutely essential complement to our efforts to strengthen America's defenses. Had you not asked me, I would have asked you for this opportunity to register my strongest support for the Administration's foreign assistance requests which are under consideration by this committee, particularly those portions pertaining to East Asia and the Pacific. I have been heavily involved in their preparation. I am certain that they are fully justified. If anything, they are less than we really need because of our efforts to keep the requests to minimum prudent levels in view of economic constraints.

Mr. Chairman, you asked that I address several questions in my statement. Some parts of these questions are more appropriately addressed by others, for example, those which deal with the Administration's general foreign policy stance and the mix between economic and security assistance. On those, I will defer to my colleagues. In my remarks. I will address those portions of each question which are of particular concern to Defense.

The security of East Asia and the Pacific is vital to the security of the United States. Five of the seven defense agreements to which the United States is a party are located there, including bilateral treaties with Japan, Korea, and the Philippines; the Manila Pact which adds Thailand to our treaty partners; and the ANZUS treaty. Each and every one of these agreements is more important today than on the day it was signed. The security of the United States has become increasingly interdependent with that of each of its Pacific allies.

During the past decade and a half, the Soviets have taken disturbing steps to improve their military capabilities and expand their influence throughout the region. Their efforts continue unabated. The war between Vietnamese occupation forces and the Khmer resistance forces continues in Kampuchea with cross-border incursions into Thailand and attendant dangers to the security of our Southeast Asia ally. North Korea continues to expand and modernize its armed forces which are offensively configured and which already exceed any rational measure of purely defensive requirements.

To maintain the security of the United States, our allies, and our SLOCs against the growing Soviet threat and to maintain regional security, we rely principally on our allies to meet local threats while maintaining forward deployed forces in Korea, Japan, and elsewhere in the Pacific to fulfill our commitments to our allies and to meet the Soviet threat. We are urging all of our allies to do more in the common defense. Three of our six Pacific allies are capable of doing so without U.S security assistance. However, the other three look to us for financial support and they—the Republic of Korea, Thailand, and the Philippines—would receive the major portion of the East Asia fiscal year 1984 request for security assistance. Korea and Thailand are also the only countries in the region for which we are seeking increases over the fiscal year 1983 FMS credit request.

Both we and our Japanese allies consider stability on the Korean Peninsula to be essential to the security of Northeast Asia. The U.S. commitment to the defense of the ROK is manifest in our forces stationed there who, if deterrence failed, would be engaged immediately alongside ROK forces under the only combined U.S./Allied Command outside NATO. The least expensive and most effective way to improve the capabilities of the U.S./ROK Combined Forces Command to defeat, and thereby deter, a North Korean attack is by assisting the ROK to improve the capabilities of its forces. Increased FMS credits for Korea therefore are the most cost effective way to accomplish the improvements needed to defend our interests in Northeast Asia.

Increased credits are also essential to our credibility with our Korean allies, who at great sacrifice are increasing their defense capabilities and contributing to the costs of U.S. forces as well. The Koreans believe that their efforts make it not unreasonable to ask the United States to help them make their purchases now, when they are needed, by offering substantial amounts of credit. Successive Secretaries of Defense have agreed and pledged their best efforts to provide the needed credits. However, as one of the largest programs not earmarked traditionally by Congress, the Korea program is usually the one to suffer most when Congress cuts the budget or leaves us with a continuing resolution. As a reliable ally who is doing virtually all that we ask in its defense efforts, the ROK deserves better treatment.

The United States is committed to the security of Thailand by the Manila Pact. American troop presence is the main symbol of our commitment to our other front line East Asian ally, Korea. For Thailand, the symbol is our willingness to provide security assistance support. Not only Thailand, but the other ASEAN states and, undoubtedly, Vietnam and the Soviet Union as well, look to our security assistance for Thailand—the ASEAN front line state—as a major indicator of U.S. security interests in the region.

Unhampered use of the facilities at Clark AB and Subic Naval Base is very important to our forward deployments in the Western Pacific and to our ability to project forces into the Indian Ocean. This is the strategic rationale for making good on the levels of assistance pledged by President Carter at the conclusion of the 1979 amendment to the Military Bases Agreement. The value of the bases is further enhanced by improvements in the capability of the Philippines to contribute with the United States to the mutual defense of their country, including defense of the bases.

The remaining major recipients of security assistance in East Asia are Indonesia and Malaysia. Although non-aligned, Indonesia and Malaysia are friendly nations who maintain positions on numerous issues, including rights of passage through critical SLOCs, which are compatible with U.S. policy. U.S. support for efforts to modernize the defense forces of these countries helps to maintain their confidence in their ability to resist intimidation from the growing Soviet power projection capability in Southeast Asia. It thereby helps assure friendly flanks for the strategic straits through which shipping critical to the security and well-being of the United States and its allies must pass.

As you can see, Mr. Chairman, there is strong and compelling strategic rationale for our security assistance to all of our major East Asia aid recipients. Our security assistance programs complement and support U.S. forward deployments in the region. Moreover, through their contributions to standardization and interoperability of equipment and to mutual understanding of tactics and operating procedures, they enhance our collective ability to deal with the increased threats to peace and security in East Asia.

In addition to security assistance, we are engaged in a broad range of planning and training activities with our Asian friends and allies which improve our ability to coordinate efforts and enhance our joint ability to deal with regional threats and with the regional manifestation of the global Soviet threat. Secretary Weinberger visited each of our East Asian allies last year to assure them of the continued steadfast commitment of the United States to their security. He also urged them to improve their defenses and work with us to improve the coordination of our efforts. In our annual consultations with Japan we made progress in refining our respective roles and missions in the defense of Japan. Joint planning and joint training exercises with our Asian allies further improve our capabilities for wartime cooperation.

The International Military Education and Training (IMET) Program is probably the most cost-effective program we have for enhancing cooperation with our friends and allies. By helping countries afford technical training of more personnel in U.S. military schools, it improves their ability to make best use of U.S.-origin equipment. Common equipment and common procedures enhance cooperation.

The most enduring payoff of IMET, however, is probably its professional education component. The payoffs are intangible and hard to document or measure. But every United States military officer I know who has had duties requiring him to

deal with foreign military forces attests to the value of IMET. Professional military education in the United States will not guarantee that a foreign officer will always agree with American ideas but it does increase the probability that any disagreements will be substantive rather than the result of misunderstanding or faulty assumptions. Moreover, the associations formed with American officers can generate a reservoir of good will toward the U.S. Armed Forces which will enhance future cooperation throughout the foreign student's career. It makes a tremendous difference in our ability to communicate and coordinate when there is preexisting mutal understanding and when we can begin without many of the cultural and perceptual obstacles that might otherwise exist.

A major problem in carrying out the IMET program has been brought about by our budget process itself. Most training, particularly the longer courses, involves major personnel actions which require dislocation of the affected officer and his family, require assignment of a replacement, etc. The better military establishments plan these actions well in advance. For IMET recipients, this means programing personnel for the training on the basis of the administration's request; it would be too late if they waited until the budget is approved. If the budget is cut, requiring reductions in the country programs, many foreign soldiers are inconvenienced, some of them severely. In those cases, what should have been a good experience which promotes a positive U.S. imgage, becomes its opposite. We put the recipient countries in a dilemma. If they underprogram, they risk being unable to fill the training quotas when they are available; if they program fully, they risk the human costs I have described. Most adopt the latter course rather than risk losing training. The program is a small item in the total budget. We should be able to fully fund it.

Turning now to specific country requests, I will address your remaining questions on the relative portion of each country's defense effort underwritten by U.S. aid, likely consequences of fiscal year 1983 cuts, and reasons for the country levels. I will not repeat the statistics presented by Assistant Secretary Wolfowitz.

Indonesia spends 3 percent of GNP on defense, 11.4 percent of the total budget. Our security assistance is equivalent to 1.5 percent of the Indonesian defense budget. Failure to pass the supplemental request would jeopardize ongoing programs for C-130 overhaul and purchase of ammunition war reserves which require $36 million in fiscal year 1983, and provide no support for Indonesia's modernization programs. Failure to provide requested fiscal year 1984 levels could cause serious impairment of Indonesia's modernization programs and new procurement, including artillery, communications and logistics support systems. It would have repercussions on the credibility of assurances given by the President and the Secretary of Defense that the United States would continue its strong support for Indonesia's defense requirements.

FMS Credits underwrite a significant portion of the ROK's defense procurement from the United States which is expected to total $4.7 billion during the period fiscal year 1982-86. Korea spends 6 percent of GNP on defense—more than 35 percent of its budget—and over 25 percent of its defense budget is spent in the United States. Our security assistance equates to 3.6 percent of the ROK defense budget. Over $200 million of ROK annual procurement from the United States is for spares and logistical support for its existing inventory of almost exclusively U.S. equipment. The remainder is for new equipment purchases.

North Korea spends more than 20 percent of the GNP of its garrison state economy on the military and its offensively configured forces enjoy a substantial quantitative advantage over the South. The ROK must modernize its defenses with some urgency if it is to keep this gap from widening and build the foundation for eventually closing it. The second ROK Force Improvement Plan (FIP II) is designed to accomplish critically needed modernization by 1986. The Country Team, U.S. commanders in Korea, and our Pacific commanders support the plan and the need to accomplish it on time. FIP II involves new equipment purchases from the United States of $3.2 billion and requires increased credit if it is to be completed on time. The FMS credit levels requested for fiscal year 1983 and fiscal year 1984 are only marginally adequate; reduced amounts under the continuing resolution are clearly inadequate.

Until the ROK officially evaluates any unanticipated credit reduction and revises FIP II accordingly, we will not be in a position to identify which specific procurements will have to be cancelled or deferred if we do not get our fiscal year 1983 supplemental and fiscal year 1984 requests. Possibilities include planned procurements of COPPERHEAD, STINGER, tanks, howitzers, I-HAWK, TOW, and attack helicopters. Although the ROK probably could continue its highest priority purchases on time, it would have to stretch out others like artillery components and

helicopters, despite its critical needs for more firepower and tactical mobility to offset North Korea's advantages.

Malaysia spends almost 10 percent of GNP on defense. Our small aid program equates to only 0.5 percent of that effort. The modest levels requested for Malaysia would only partially support substantial tactical aircraft and armored car purchases Malaysia is currently negotiating with U.S. companies. Reduction of FMS credits below the levels of previous years at a time when Malaysian projected purchases are increasing may not cause these particular sales to be cancelled, but it will reduce the attractiveness of future purchases from the United States in comparison with European sources. European countries, which supply much of Malaysia's equipment, typically manage to guarantee financing for at least part of each sale. Our failure to provide similar consideration would be seen as lack of USG interest in Malaysia's modest modernization efforts.

In the Philippines our security assistance equates to 7.3 percent of the total defense budget, which approximates 2 percent of GNP. This proportion is the largest among the East Asian recipients. The fiscal year 1984 levels are the last increment of a $500 million package which President Carter pledged his best efforts to provide at the time of the 1979 amendment to the Military Bases Agreement. Failure to provide these levels would jeopardize the fifth-year review of the agreement which is being conducted during 1983.

The increased threat caused by the Vietnamese occupation of Kampuchea prompted Thailand to more than double its annual FMS purchases from the United States to accomplish much needed modernization. During fiscal year 1979–82, Thailand spent over $900 million on new military purchases from the United States, only 20 percent of which ($182 million) was underwritten by FMS credits.

Thailand spends 4 percent of its GNP on defense—almost 20 percent of its budget. U.S. security assistance amounts to approximately 5 percent of what the Thai spend on defense. Thailand spends 8 percent of GNP on development. This proportion is appropriate for a developing country which still faces an insurgency. However, it limits the extent to which Thailand can finance without credit the hardware it needs for modernization. The Thai estimate that they need to spend approximately $350 million per year for capital purchases to replace attrition and carry out their most important modest modernization programs. The Thai budget can only support capital expenditures of approximately $200 million, leaving a $150 million annual shortfall.

Credits underwrite only part of the total Thai procurement from the United States. Therefore, we cannot be sure which specific programs would be cancelled or delayed if requested FMS credit and MAP levels are not restored for fiscal year 1983 and maintained for fiscal year 1984. However, it is apparent that since we have already restrained our requests to a minimum level short of the $150 million needed by Thailand, further reductions are not possible without serious delays in some or all of the important modernization programs. Procurements which may have to be delayed or cancelled might include attack aircraft, tactical mobility and logistics aircraft, antitank and antiair munitions, tanks and howitzers, and naval patrol craft.

Mr. Chairman, security assistance is an indispensable component of our efforts to strengthen free world defenses against the growing threats to world peace and security. In East Asia it is a particularly vital part of our bilateral security relationships with the countries of the region. We believe that the levels requested are the minimum support we can prudently provide to the defense improvements and modernization of recipient countries' armed forces in view of U.S. commitments in the region and the nature of the threats posed by Vietnam, North Korea, and the Soviet Union to regional stability and peace.

Senator MURKOWSKI. Thank you very much.

I would just like to pose a general question that I am sure you are all in agreement on, and that is the security assistance program by a regional percentage. It is my understanding that the fiscal year 1984 security assistance program indicates Near East, 51 percent with South Asia receiving 6 percent, Southern Europe 17, Africa 10, Latin America 7, and East Asia 6 percent.

Do you feel that is proportional to our general requirements of assistance, support, and trade?

Mr. WOLFOWITZ. Senator, it is not a measure of the importance of the region, but I think it is a proper measure of the amount of assistance that is required. I think the overall program that is sub-

mitted is a balanced one that takes account of what the real needs are. If that figure is low relative to the importance of the region, it is in large measure because the region has been so successful economically, so the economic assistance is, compared to other regions, less need. Also, I think, even though there are some very serious security problems, and specifically in Korea and Thailand, on the whole, the needs for security assistance are not as high as in other regions.

Senator MURKOWSKI. In your opening statement. Mr. Secretary, you indicated that we had established close relations particularly in the trading area, with countries in the region; and I think I also made some reference to the role of our trade with these countries as a percentage of our entire world trade. So I assume that this division of the pie, so to speak, is not done necessarily on the basis of consideration of percentage of trade that we have with the country, but other substantive reasons.

Mr. WOLFOWITZ. That is right, Senator. It is really done on the basis of needs, and I think one of the things that makes the Asian region so important to us is that it is full of countries that can contribute in a positive way rather than simply countries that need our help.

Senator MURKOWSKI. In other words, they can help themselves more?

Mr. WOLFOWITZ. Help themselves and help others. For instance, just a little over a month ago, Prime Minister Nakasone went to Korea and concluded a major Japanese economic assistance program with Korea that will help Korea strengthen its own economy. Now, if I might make a comment on the question that you raised about the balance between military assistance and economic assistance, let me first say that I strongly share the concern that lies behind your question. There has to be great attention to the balance. Security is much more than just guns and ships and soldiers. It is, as much as anything, strong economies. You can see that dramatically in the case of South Korea, for example.

But I do think that in fact we have a reasonable balance. As a matter of fact, if there is a balance problem, it is the other way around, because as a result of the continuing resolution, we have taken major cuts in our security assistance program for fiscal year 1983. That did not happen to development assistance and economic assistance, so we do not need a supplemental there. But we badly need it in the security assistance area.

I think rather than saying that military aid is growing 56 percent, we are really trying to get back to the levels that we were requesting for 1983, which are not that far above the 1982 levels. If we do not get it back, in fact, we are going to have to go to countries like Thailand and Korea that face very serious military threats on their borders, and explain to them why in the face of these threats we are nontheless actually cutting the FMS programs.

Senator MURKOWSKI. Thank you, Mr. Wolfowitz.

I do not want to leave out Mr. Forster, so we will move on down the panel, and you may proceed, Mr. Forster, with your statement. Mr. Forster is Director of East Asia and Pacific Affairs for the U.S. Information Agency. Good morning.

STATEMENT OF CLIFTON B. FORSTER, DIRECTOR, EAST ASIAN AND PACIFIC AFFAIRS, UNITED STATES INFORMATION AGENCY

Mr. FORSTER. Good morning, Mr. Chairman.

In response to your request, I would like to present this brief summary statement. A longer statement has been prepared for the record.

Senator MURKOWSKI. Your entire statement will be made a part of the record.

Mr. FORSTER. The area request in fiscal year 1984 totals $24,005,300, an increase of $1,967,356 over fiscal year 1983. The net increase is requested to provide funds to cover wage and price increases and other built-in changes required to maintain programs at the levels established in 1983, the planned opening of a branch post in Chengdu, China, in 1984, and restoration of personnel in selected countries.

Our major issues, Mr. Chairman, in the area are trade and security. The current trade difficulties—the need for access to Asian markets and the problems associated with increasing protectionist trends—require a special information effort. In recent months, we have arranged for U.S. economic leaders to meet with the Asian media and to appear on television to clarify our trade positions. Commerce Secretary Baldrige, for example, reached an audience of several million over Japanese television through agency facilitation, and Trade Representative Ambassador Brock has met with Asian business representatives, the media, and leading government officials over a wide area through USIA-arranged programs.

A special effort is also being made by USIA with our American businesssmen in Asia and the Pacific through American Chambers of Commerce to support our trade promotion efforts and present our positions on important bilateral trade issues. USIA officers work closely with American Chambers of Commerce in key posts in Asia and the Pacific, advising them on public affairs strategy and arranging seminars and other programs to facilitate a better dialog on trade and balance problems and trade promotion.

We are also currently working with the director of the Asia-Pacific programs of the American Chamber of Commerce here in Washington to send high-level economic specialists to Asia to meet with economic leaders to share views on trade problems.

Security perceptions present a serious problem for us in the area. The increasing Soviet naval presence in the Western Pacific and the military buildup in Eastern Siberia are of great concern to our Asian friends and allies who need assurance that we have the power and the will to preserve peace and security in the region.

Again, there is an important information job to do, and we are using our resources to provide such assurance. Secretary Weinberger and other leading defense officials have met with a wide cross section of Asian and Pacific opinion leaders over the past year through USIA auspices, and satellite TV broadcasts have been particularly effective in getting our messages across at an important time.

We work closely with CINCPAC and our overseas commands to bring our military leaders in the Pacific into closer contact with journalist and civilian security specialists in Asia and the Pacific,

and a USIA adviser has been assigned to CINCPAC to provide public affairs guidance and support to the command. We also work closely with CINCPAC on naval ship visits in the Pacific to assure that these vistis are understood and appreciated.

In the course of the year, USIA invited to the United States 260 Asians with current or potential influence in their countries. If past experience is a precedent, this group should include future Prime Ministers and cabinet level officials. The Prime Ministers of New Zealand, Malaysia, Fiji, and Singapore are all former grantees, as are 69 people occupying cabinet posts throughout the area.

We have invited ASEAN opinion leaders representing common concerns to the United States and have in turn worked through them to program American spokesmen to visit the region. Just this week in Washington, Mr. Chairman, we have a team of ASEAN economic editors who are here to exchange views with their American counterparts.

We would hope with our budget request for fiscal year 1984 to move ahead with our programing in support of our policy objectives, particularly in the areas of trade and security. We will also continue our important exchange program, bringing Asians to this country both at the student and at the leadership levels.

As we move into the eighties, we have a continually changing situation in Asia and the Pacific. We face a new generation of leaders, and we must be flexible and innovative enough to reach them effectively. We are very proud, Mr. Chairman, of our field posts and the people who manage them to develop the programs which contribute to better understanding. To sustain this dialog in years ahead, we will need your continuing support.

Thank you for your consideration, sir.

[Mr. Forster's prepared statement follows:]

PREPARED STATEMENT OF CLIFTON B. FORSTER

Mr. Chairman and members of the Subcommittee on East Asian and Pacific Affairs, it is a privilege to present our fiscal year 1984 authorization request and to describe how our program supports our foreign policy objectives.

As Area Director I am responsible to the Director of the U.S. Information Agency for the management of our programs and resources in East Asia and the Pacific. We must communicate Agency policies and priorities to the field, provide overall guidance to the posts, evaluate overseas performance and represent the field in the Agency. Our office also provides continuing contact with the Department of State and other foreign affairs agencies on area matters. Our posts overseas function as integral parts of our Missions and are headed by Public Affairs Officers who serve under the Ambassadors as members of their Country Teams.

The Area request in fiscal year 1984 totals $24,005,300, an increase of $1,967,356 over fiscal year 1983, to operate information and cultural programs at 34 posts in 14 countries. In 1983, activities at these posts will be supported by a domestic staff of 19. The overseas staff will consist of 100 American and 565 foreign national employees, including 23 funded under the Special Foreign Currency Program. The net increase of $1,967,356 is requested to provide $2,510,709 to cover wage and price increases and other built-in changes required to maintain programs at the levels established in 1983, the planned opening of a branch post in Chengdu, China in 1984 and restoration of personnel in selected countries. These increases are offset, in part, by non-recurring costs of $543,353 related to renovation and refurbishing costs, and other built-in reductions.

MAJOR ISSUES AND PROGRAMS

Growing economic and trade problems caused by the worldwide recession join security concerns as highest priority issues for Agency programming throughout East

Asia. Public and private sectors in East Asia see the United States as having primary responsibility for arresting the recessionary drift. This misperception requires concentrated and continuing USIA efforts to make it clear that both security and economic recovery depend on joint and mutually supportive efforts on the part of all the free Asian powers. We must work with the media and other groups to stress the importance of close consultation and cooperation.

American relations with Japan illustrate these issues clearly, given that country's status as a major economic power in the world. A major contention is whether Japan's trade regulations are not, in fact, an impediment to American economic recovery. Also, the question is asked whether the United States is shouldering a disproportionate part of the Pacific security burden to the detriment of U.S. economic health. USIA in Japan must continue to call upon high-level visiting official Americans in order to retain public attention on the issues, and most particularly on the U.S. position. The current Government of Japan itself seems determined to deal with the twin problems of trade and security in a forthright way, adding a requirement for delicacy in our programs on these themes.

China, by sheer size alone, is a major responsibility for USIA in developing public affairs strategies and allocating resources. It is our hope that our officers in China will be able to follow the consular flag to new provincial sites, requiring resources not only for start-up costs but to provide material support for continuing operations. Exchanges remain the highest priority item with both China and the United States, but as access to Chinese audiences expands, we will augment magazine distribution, exchanges of delegations, cultural events and other programs. In the coming year, we hope to see the fruition of more than a year's effort to develop an education protocol under the Science and Technology Agreement that will accommodate the whole array of educational programming between our two countries. As political issues have created both heat and coolness in bilateral relations, educational and cultural exchanges become more and more an important element of continuity. Our concern will be to maintain a relationship of this character, and to expand its effects into the provinces.

USIA plans to open a branch post in Shenyang concurrent with or subsequent to the opening of the American Consulate General in that city during fiscal year 1983. The Shenyang office will serve a consular district consisting of three provinces with an estimated population of 90 million. The district also has nearly 100 institutions of higher learning. Culture and education officials in the major cities are anxious to develop relations with American institutions and would welcome USIA assistance. Our branch here will provide us with access to the important northeast industrial sector of China.

The Republic of Korea and the Philippines take on special importance in the security context, both being countries where there is a major U.S. military presence. While this presence is accepted as important to regional security, the authoritarian character of the governments in both countries generates vocal opposition which tends to identify the American military presence with the perpetuation of the governments in power. This opposition is manifested in demonstrations and even attacks on our installations in both countries. We need to defend the American military relationship with the Government while remaining a credible voice in explanation of traditional American freedoms.

ASEAN, including the Philippines and Thailand, with which the United States has strong security interests, remains, nevertheless, a non-military relationship. ASEAN's opposition to the Vietnamese occupation of Kampuchea is a position which the United States can support, and can do so with clear deference to regional, rather than American, concerns. Trade issues exacerbate U.S. relationships with ASEAN countries, particularly with reference to sales of tin from American stockpiles, a reduced market for rubber, and competition from labor intensive industry in Singapore and elsewhere. We arrange for seminars and exchanges of special teams to encourage ever closer working relationships with ASEAN and a better understanding of each other's position. In Thailand, narcotics and refugee issues remain special challenges, requiring our field officers to emphasize the fact that what is being dealt with are international rather than just American concerns.

Australia and New Zealand, although European in culture, reflect the concerns of the region with considerable accuracy. Both see their economic fortunes declining in the worldwide recession, and both look to the United States for solutions. America is both a competitor with these countries in the markets for agricultural goods, and a partner in trying to liberalize trade terms for the same goods. The ANZUS Treaty remains, according to public opinion polls, a sound basis for the security relationship. ANZUS, however, has vocal critics on the left, and opposition parties use the alliance, and security cooperation, to flay the government as being subservient to

U.S. wishes. USIA must make a special effort with its information and cultural programs to emphasize the mutual benefits of ANZUS, and counter leftist elements' attempts to misrepresent Australian-American cooperative security arrangements.

Little noticed, and little addressed, are the public affairs problems that arise from U.S. efforts to end the Trust relationship with Micronesia. In the coming year plebiscites will be completed to define self-determination for these Island entities, which will be the last to join a host of other emerging countries in Oceania. These new nations will be looking for partners as they take their place in the community of nations. The Soviet Union and other more well-meaning groups will call for these countries to shrug off any ties with the United States, and to take positions on such issues as nuclear power, fishing, sea-bed mining etc., that are contrary to U.S. interests in the region. We will work with the local media, the universities, labor and other organizations to enlist greater support for our positions.

1984 PLANS

During 1984, the State Department plans to open an additional American Consulate General in Chengdu, China. This is an important commercial, industrial and political center, and the consular district to be served has a population of 130 million. The Chengdu district includes Deng Xiaoping's home province and is a "laboratory" province for China's reform and modernization movements. Contacts with the United States are key to the modernization program, and it is important to have a USIA public diplomacy presence in Chengdu to respond to Chinese interests and to assure the dissemination of American ideas to intellectuals and political innovators. USIA plans to open a post following the consulate opening in Chengdu.

Also during 1984, we are requesting restoration of nine positions—two domestic positions and seven foreign national employees. In the past, budget retrenchment seriously eroded program and staff personnel support. However, significant events and key organizations continue to present important opportunities and absorb extensive staff support. Restoration of these positions would alleviate serious staff shortages and restore essential program capabilities.

One additional foreign national position is being requested in 1984 for Japan in support of the President's international youth exchange initiative.

AGENCY PROGRAM SUPPORT

The Bureaus of Broadcasting, Educational and Cultural Affairs and Programs in Washington also provide program materials and services in direct support of the overseas activities. The VOA broadcasts 30½ hours daiiy in English, Russian and 8 East Asia languages to the area. In exchanges, the Agency provided 854 grants for academic and International Visitor Exchanges. Other program support included speakers, VTRs and films, exhibits, library services, Agency magazines and pamphlets, and English teaching activities.

CONCLUSION

The perceptions we have about each other, our intentions, our hopes and aspirations become increasingly important in this area of instant and frequently confusing communication. There is a greater need than ever before for rational, face-to-face dialogue to prevent misperceptions and stereotypes about each other from arising. In no other region is that more important than Asia where cultural, political and social traditions are so at variance with our own. We believe we are in a position to maintain the dialogue at an important time and we ask for your support on this budget presentation to assure that our country, its culture and its policies are respected and understood.

Senator MURKOWSKI. Thank you very much, Mr. Forster, for your presentation.

I am going to try and pass to each witness the questions that I have, and then hopefully complete those questions of each witness and move down to the next witness; and I am going to start with Mr. Forster, not because he is at the end of the table, but because his questions happen to be at the top of my pile.

So, Mr. Forster, in your request regarding the Asia Foundation for approximately $10 million to be appropriated to your agency, USIA; and then these funds would be passed basically to the State

Department. I am curious to know why this indirect routing, so to speak, was recommended. If you could shed some light on that—why should the funds not be appropriated directly to our State Department?

Mr. FORSTER. As I understand it, Mr. Chairman, the $10 million increase is actually responsive to the Project Democracy requirements and will be administered by the Department of State. There will be no basic change. The Asia Foundation is doing a very outstanding job in stengthening the democratic infrastructure in Asia with its projects. Those of us who have worked with the Asia Foundation representatives overseas through the years realize how important the Foundation's work is.

Senator MURKOWSKI. I understand that, but I am curious to know why we are funding in this indirect manner rather than not directly to the State Department. You have acknowledged that. That is where it is going to go.

Mr. FORSTER. Well, of course, those funds will be appropriated to us, but they will be turned over to the Department of State. We are the lead agency, as you know, on Project Democracy.

Senator MURKOWSKI. But the Department of State is going to spend it. Why should they not get it? Why do they go through you?

Mr. FORSTER. We are seeking the appropriation under Project Democracy, and this is at least the way I understand it, and it simply is a case of providing those funds to the Department to continue. Perhaps Mr. Wolfowitz might like to comment further on that.

Mr. WOLFOWITZ. I cannot say a great deal more. I would just like to say that I think there was a lot of interagency deliberation about this whole thing. The decision was to centrally manage those funds that generally served the purpose of Project Democracy, and I guess having them comparable to one another made a certain amount of sense in the end. Whatever budget it is put in, it is part of the President's budget, and it is a Presidential decision based upon interagency advice, and I would like to stress, and this is a partial answer to the question you raised in your opening statement, Mr. Chairman, that it is wrong to suggest that it is turned over to us and we then spend it.

What we do with it in fact is pass it to the Asia Foundation which manages the expenditure of funds. In fact that is a very important, a very, very important difference. It is an independent foundation with an independent board of trustees. The board of trustees are a bipartisan group. They are not selected by the Government. They are not directed by the Government, and the Foundation has a genuine independence from the U.S. Government, even though we are the major source of funds, not the sole source of funds.

Senator MURKOWSKI. But my question follows then to either you or Mr. Forster. Recognizing that the Foundation does enjoy this reputation of independence from the Government, does not its effectiveness to some degree depend on its ability to be separate and apart from what appears to be total Government funding for all practical purposes? Once the Federal Government takes the posture of, in effect, funding it, does it not take its independence away from it by being in a position to direct and dictate certain priorities and recommendations?

Mr. WOLFOWITZ. Well, we are not the exclusive funder of the Asia Foundation, and I think it is essential——

Senator MURKOWSKI. Out of a $10 million budget, how much is funded from the private sector?

Mr. WOLFOWITZ. I am not sure of the exact figures.

Senator MURKOWSKI. Do you know, Mr. Forster?

Mr. FORSTER. No; I do not, Mr. Chairman.

Senator MURKOWSKI. Is it about $1 million?

Mr. FORSTER. I would have to get these figures for you, Mr. Chairman.

Senator MURKOWSKI. If my recollection is correct, it is about $1 million vis-a-vis $10 million, or 9 and 1 for a total of 10. Is that not about right?

Mr. FORSTER. As I say, I would have to check the exact figures for you.

[The information referred to follows:]

Private sector contributions to the Asia Foundation in fiscal year 1983 are estimated at $1.3 million. Additionally, private contributions of program materials, primarily books, are estimated at $6.2 million.

Mr. WOLFOWITZ. But, Mr. Chairman, it is the board and the directors of the Asia Foundation that decide in detail how those funds will be spent and who they will be spent on. It is very much like other foundations, domestic foundations, that receive Government grants and Government funding. They do not thereby surrender their independence, and I think we consider the independence of the Asia Foundation to be one of the essential features of its effectiveness, and something that we are determined to preserve.

Senator MURKOWSKI. So the board sets the priorities and the programs for the Asia Foundation?

Mr. FORSTER. That is correct, sir.

Mr. WOLFOWITZ. That is correct.

Senator MURKOWSKI. Who would be establishing the priorities of the Asia Foundation under the administration's proposed USIA Democracy and Public Diplomacy program?

Mr. FORSTER. I believe nine separate proposals have come in from the Asia Foundation to be funded in fiscal year 1984. The Department of State, of course, is administering the grants for the Asia Foundation projects.

Senator MURKOWSKI. Well, then, the priorities are set by the board, so to speak.

Mr. FORSTER. That is correct.

Senator MURKOWSKI. And the board is made up of whom?

Mr. FORSTER. I think Mr. Rudolph Peterson, retired president of the Bank of America, is the chairman of the Asia Foundation at the present time.

Senator MURKOWSKI. I mean, are they from the private sector?

Mr. FORSTER. Yes; the private sector.

Senator MURKOWSKI. Are they from the military sector, the Government sector? Are they retired Government? What are they?

Mr. WOLFOWITZ. They are from the private sector. They include a number of former Governments officials. Ambassador Phil Habib, who was one of my predecessors.

Senator MURKOWSKI. So they have had some experience in the area?

Mr. WOLFOWITZ. Very broad experience. Yes sir.

Senator MURKOWSKI. The concern expressed by some of my colleagues concerns the ideological nature of the democracy initiative and who would actually be responsible for its operation. The Asia Foundation is one of a number of private organizations which would receive support through this initiative. How does the administration propose that the independence and freedom of action of organizations like the Foundation be preserved and protected when the implication might be that through the Democracy initiative and other programs like that, the Foundation might be considered a type of propaganda?

Mr. WOLFOWITZ. If I might preface this with a little comment; which is, that to me it is a little bit ironic. I have for many years been working on defense issues, and been told by people, and I think correctly, that one of the great strengths of this country is not military strength but political strength and the strength of our values.

And now I hear some of the same people saying that we should not try to have programs that help to spread knowledge and understanding of those values. I think they are just wrong. What they are right about, or at least what I hear in some of the questions that have been raised, is that it is a very difficult, delicate process to get into, and that it has to be managed with great care lest it turn into something that is just a propaganda effort, or lest it turn into something that is a partisan political exercise.

Whichever administration is in power seeks to promote its particular political ideas abroad, but those are not the kinds of things we are trying to do. I think in fact the Asia Foundation is an example of how in a sophisticated, careful way our values can be explained abroad, aiming at the long term, not aiming at the short-term political changes, but in helping to train, to educate people in other countries on basic principles of the rule of law, on how legislative systems work, and so forth, and to do it in a way that is genuinely bipartisan and genuinely independent of the government, even though we are a major source of funding. This is itself an operation that has to be worked out carefully, and in practice, as I said, we have a lot of experience, not just with this Foundation, but with many domestic foundations that receive government funding and yet preserve their essential independence.

I think the kind of mechanism that we have here in the case of the Asia Foundation, of an independent board of trustees, people perfectly capable of making their own decisions, with the government not getting into the business of micromanaging the decisions that they make. Although obviously, we make some decisions about the overall funding level that we will provide.

In fact, the Asia Foundation has suffered in the last few years from not having a stable source of funding, and having the whole process by which its budget is determined be erratic at best. It is our hope and, I think, the hope of the trustees and directors that under this procedure we will establish a more stable process for funding the Foundation, and it will be more effective in the work that it does.

Mr. FORSTER. Mr. Chairman, I would like to just make reference here to Director Wick's testimony last week, where he said that, if I can quote here, "I want you to know that including such programs as the Asia Foundation in the Democracy Project will not affect their management. The Foundation, for example, will still be managed through State, and no one will affect the integrity of those programs. They have functioned very well, and we intend to assure that this will continue to be the case."

Senator MURKOWSKI. Thank you.

I think this question would be posed to Mr. Wolfowitz. Can you give the committee some specifics beyond what you have said in your prepared statement on why the military assistance increases contained in the fiscal 1983 supplemental and the fiscal 1984 budget request are of an emergency nature? Maybe Commodore Ring could comment on that also.

Mr. WOLFOWITZ. The Commodore may want to add something, but let me say that they are almost entirely directed at two countries, Korea and Thailand, that face very serious military threats.

Senator MURKOWSKI. In Korea, for example, we had military assistance—we went from $141 million to $211 million to $231 million. What is the nature of that emergency? Could you expand a little bit?

Mr. WOLFOWITZ. Yes. Several years ago, I think it was 1979, 1978 or 1979 period, there was a major assessment done of the North Korean military capabilities, and it was discovered by essentially improved intelligence methods on our side that the North Koreans had been even more—had developed their military capability even more than it had been previously thought. They present a major armored threat to the security of South Korea, and the South Koreans are engaged in a force improvement program designed to try to bring the gap in military capability between North Korea and South Korea within some limits that will provide what we hope is a more stable deterrent, and it is a long-term program.

Senator MURKOWSKI. Well, let me ask you this. If we are increasing our military assistance to Korea because of an emergency there, are we also increasing our military forces that we maintain in Korea as a consequence; or are we limiting or reducing those proportionally to what we are increasing in military assistance to Korea?

Mr. WOLFOWITZ. No, Senator. There is a very clear military need to be filled, a very clear gap in military capability to be filled, and this is a very good investment, because it is the South Koreans who are providing all of the manpower and in fact most of the investment, and our share of it is a fairly small fraction. It is much cheaper——

Senator MURKOWSKI. But is that offset by a reduction in our presence in Korea?

Mr. WOLFOWITZ. No, it is not. Our presence in Korea is still essential. For one thing, we are a long way from having closed the gap between North Korea's military capabilities and the combined capabilities of the United States and South Korea. Moreover, our presence there serves an essential deterrent function that I believe is essential and requires some minimum level of U.S. presence, and I think we have it now.

But the South Koreans are spending a very large share of their GNP on defense improvements to which our FMS is a fractionally small contribution. It is a very good investment from the point of view of U.S. security.

Senator MURKOWSKI. Condsidering the economic problems facing Burma, and particularly Indonesia, why does the administration propose to reduce economic assistance and increase military aid to the two nations? The same reason?

Mr. WOLFOWITZ. I do not believe that we are reducing economic assistance substantially to those countries. In the case of Indonesia, it is a relatively modest increase in FMS.

Senator MURKOWSKI. Well, it is a reduction in Indonesia, not much, but a little bit.

Mr. GREENLEAF. Mr. Chairman, I can comment on the economic assistance aspects with respect to Indonesia. The program is basically a flat program, when you add together the Public Law 480 and the development assistance funds. In the case of Burma, also, it has gone down approximately $1 million from 1983 to 1984, which is essentially the result of some extra funding in 1983 that we had not anticipated. This really is a cyclical matter which does not effect our policy with respect to economic assistance to Burma. It is a 1-year shift as a result of some administrative shifting of funds into 1983 that would have otherwise been spent in 1984.

Senator MURKOWSKI. In the case of the need for these various countries to modernize their military equipment, are these funds, these FMS credits limited to their requirement that all of those purchases be made from us? Are they free to go out and purchase anywhere they want with that money?

Mr. WOLFOWITZ. They must all be made from us, and in fact we are talking in the case of South Korea of very substantial purchases of U.S. equipment, not only with the FMS funds that we are providing, but with the much larger funds that they budget from their own resources. Even though we do not undertake it for this reason, the fact is that the Korean force improvement program is something from which our domestic industry benefits substantially.

Senator MURKOWSKI. Let me ask you this. This came up the other day. Do the island nations of Tuvalu, Tokelau, Kiribati, or the Cook Islands receive any form of U.S. aid?

Mr. WOLFOWITZ. I believe those islands do not receive any bilateral assistance from us. They receive significant aid from Australia and New Zealand?

Senator MURKOWSKI. But nothing from the United States?

Mr. GREENLEAF. Sir, on the economic side, several of those island nations that you mentioned receive a small amount of assistance as a part of our South Pacific program.

Senator MURKOWSKI. That is Asia regional?

Mr. GREENLEAF. Yes, sir. It is a South Pacific program, which is not funded directly to the individual island nations, but through regional organizations, such as the University of the South Pacific. There are also some Peace Corps programs there which AID funds, which have activities in a variety of these countries. I did not catch all of the island nations that you mentioned.

Senator MURKOWSKI. They are the four nations that are up for treaties on their status.

Mr. GREENLEAF. I am sorry. I was referring to already independent nations, and I misunderstood.

Senator MURKOWSKI. There is a difference of opinion as to whether some of these are independent or not?

Mr. GREENLEAF. No; it is very clear which 10 we give assistance to, and I thought you mentioned Tuvalu.

Senator MURKOWSKI. I did. What are the kinds, if any, of aid programs the administration might propose for China this year or over the next few years in the event that the legal restrictions on foreign assistance are removed?

Mr. WOLFOWITZ. That is an important question, Senator, and let me, if I may, also answer the questions you raised in your opening testimony. There are no plans at all for any aid program to China. In the event that this prohibition is lifted, the Chinese could then participate in some technical assistance training programs run on a multilateral basis under the centrally funded AID programs. You said in your opening statement, and I think you are absolutely right, that any approach toward actually giving assistance to China is something in which caution and patience would be the fundamental watchword. I think that is absolutely correct, and in fact we have no plans to move forward at all.

What we are trying to do by removing these legislative restrictions is to carry out the intention that the President stated to the Chinese through Secretary Haig when he visited Peking in 1981 that we were going to seek to remove those provisions of U.S. law that treated China along with the Soviet Union and the close supporters of the Soviet Union as a power hostile to the United States. We do not equate China's foreign policies with those of the Soviet Union and its close allies. Very much to the contrary. That is the real important basis of the new relationship we are building with China, and we want to remove those discriminations from the law, but we have no plans for an aid program as a result.

I might add, too, that if there ever should turn out to be such plans, obviously, that would be the subject of the closest consultation with Congress and, of course again it is the Congress that would decide, but I do not mean by saying that to suggest that we have some intention once we get this law changed.

Senator MURKOWSKI Is it currently the policy of the administration that no military aid program is being considered for China? This was the position of the administration last year; that the initiation of any such activities would proceed through the normal legislative process, if contemplated, and that they do not contemplate reprograming procedures to offer military aid to China. Is there or has there been any change in the administration's position on this issue since this was allegedly the position of the administration last year?

Mr. WOLFOWITZ. No, Senator. There is no contemplation of any foreign assistance to China, much less military assistance. We have told the Chinese that they are eligible for FMS sales through commercial channels on a case by case basis. We will consider requests for items they might want to buy with their own resources, but certainly not an assistance program.

Senator MURKOWSKI. So the contemplated change, then, really is symbolic?

Mr. WOLFOWITZ. That is correct.

Senator MURKOWSKI. I understand that the Agency for International Development may be in the process of currently considering funding activities associated with the building of coal slurry pipelines in the People's Republic of China. Are you aware of any funding envisioned for this project?

Mr. GREENLEAF. No, sir. We have no contemplated program whatsoever of the Agency for International Development in the People's Republic of China.

Senator MURKOWSKI. I would be happy to provide you with the source of this information, and I would like you to check it out, because obviously if there is any foundation—you are aware of the announcement of certain American companies that have gone into China of late, and announcements have been made with regard to potential coal development in China, and marketing that coal in the general Pacific rim areas.

Mr. GREENLEAF. There are some programs which I am not personally familiar with that relate to energy development, Senator, in the Trade and Development Program, which is an organization independent of the Agency for International Development, with a budget separate from AID.

Senator MURKOWSKI. Do you think this would be a reasonable function for assistance to China—development of a resource and an expertise, such as the expertise involved in a coal slurry pipeline?

Mr. GREENLEAF. I would not have thought that that was the sort of program that would ever be contemplated by AID, and as I said, AID does not anticipate any such program. Perhaps, although I am not sure, it might be something that the Trade and Development Program is involved with.

Senator MURKOWSKI. That would have to come through AID?

Mr. GREENLEAF. That would not be from AID.

Senator MURKOWSKI. I guess my question is, is there anything that would limit that kind of assistance in the People's Republic of China?

Mr. GREENLEAF. In terms of our responsibilities under the Foreign Assistance Act and our own policies, we are not involved in coal slurry pipeline type infrastructure projects. We are involved in technical assistance, educational type programs in agriculture, health.

Senator MURKOWSKI. So while it would come under technical assistance, it is not contemplated under your program for technical assistance?

Mr. GREENLEAF. No. All I can say is, not knowing the details of this matter, that this is not the kind of program that we would be involved in funding under our understanding of our congressional mandate.

Mr. WOLFOWITZ. Senator, I would be very interested in any information you do have. I have been told very firmly there are no plans, and anything from AID woud have to require an appropriation from AID, and there is no request for an appropriation, nor do we contemplate one.

Senator MURKOWSKI. In the case of Indonesia, there may be some similarities to our relationship with Mexico; because of the geographical focus of this hearing, comparison is not applicable; but

recognizing that international oil prices are falling, and Indonesia's economy as a consequence is facing some rather serious financial problems, should we be concerned that Indonesia's current military procurement plans might be somewhat ambitious in terms of the resources available to purchase these various pieces of military hardware?

Mr. WOLFOWITZ. You are correct in stating that falling oil prices pose a serious economic problem for Indonesia. I think they are facing up to that problem in a number of very realistic ways, in cutting back on expenditures of various kinds, and I would imagine they themselves would be taking a very hard look at their own military expenditures. It is a pretty modest procurement program as it is, and it is determined by them. It is not driven by our assistance program. I imagine they will keep taking a hard look at it and other—really all forms of government spending as they feel the pinch of declining oil revenues. That is really a decision that they have got to make. They have been facing up to the problem in a rather intelligent way, I understand.

Senator MURKOWSKI. The Communist insurgency in the Philippines appears to be feeding on the poor economic conditions that are associated with that country. There is alleged poverty of significance in the Philippines. Do you feel our U.S. aid projects are in the most appropriate geographical areas to counter this Communist influence?

Mr. WOLFOWITZ. I think the first comment I would make is that I think the thing that the Philippines needs more than anything else is a recovery of the international economy. I think it is quite plausible, the argument that says that the recent growth in insurgency problems may have some relation to the poor economic conditions in the Philippines. Those are mainly a result of the fact that virtually every commodity the Philippines sells in world markets is suffering from serious price declines.

I hope that we are on the way to our own economic recovery. I think that itself will lead the world in a helpful direction, and will make a big difference in the philippines. I think Mr. Greenleaf might want to comment in more detail. The purpose of our economic projects in the Philippines is to contribute to long-term economic development. They are not targeted specifically at counterinsurgency that I am aware of.

Mr. GREENLEAF. Yes, Senator. Just to follow up on Secretary Wolfowitz's comments, our programs which in the Philippines are funded primarily in the areas of agriculture and health, and which are essentially for rural development among the poorer elements of the population, are not specifically targeted to areas where there might have been insurgency of one kind or another. They are generally organized to try to work in the areas where there is the greatest economic need.

Senator MURKOWSKI. Has there been any decision made yet as to whether the size of or quality of arms sales to Taiwan will be smaller in 1984 than 1983?

Mr. WOLFOWITZ. We are still looking at a number of requests. I think it would probably be not until the end of the year that we actually know the totals for the full year. I really could not say right now even in a guestimate where it will fall precisely.

Senator MURKOWSKI. I have no further questions. I appreciate the input from you, Mr. Wolfowitz, and your colleagues. I think that we have covered a wide variety of questions appropriate to the hearing, and as a consequence, I would dismiss you and call the hearing adjourned.

[Additional questions and answers follow:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR HELMS

Question 1. Mr. Wolfowitz, the Administration proposes to remove Red China from the list of nations in section 620(f) to which it is prohibited to give foreign aid. You called this a "symbolic" act. Do you think that symbols are important?

Answer. While in many respects symbolic, removing China from section 620(f) will have a beneficial practical effect by removing a problem in our relations with China. Since the signing of the Shanghai Communique in 1972 we have developed constructive cooperation with China in a number of areas, including efforts to oppose Soviet expansionism and aggression. Yet our legislation continued to reflect in some respects an earlier time when China was a close ally of the Soviet Union and our relationship was one of nearly total antagonism.

The President's decision to seek appropriate amendment to U.S. laws was specifically designed to recognize that we no longer equate China's policies with those of the Soviet Union and its allies and to have our laws reflect the importance we attach to our relationship with China.

Question 2. Section 620 says that "no assistance shall be furnished under this Act . . . to any Communist country." Is the Government of China a Communist government? Does the regime in Peking still adhere to Marxist principles? What about Marxist-Leninist principles?

Answer. Yes, China has instituted some variations on traditional Marxist-Leninist doctrine which are of potential significance. But without doubt China is a Communist country. According to China's new constitution adopted late last year, China is led by the Communist Party of China and guided by "Marxism-Leninism and the thinking of Mao Zedong.

Question 3. Does not the removal of China from this list imply that China is no longer a Communist country? Would not such an implication be offensive to the leaders of the Chinese regime?

Answer. Removing China from this list is not intended to imply that China is no longer a Communist country but only that China ought not to be lumped in with the Soviet Union and Soviet bloc countries for the purpose of this specific legislation. That classification dates from a much earlier time when China was viewed as part of a monolithic Communist alliance hostile to U.S. interests. To continue to do so is an anachronism. If the question is what is more offensive to the leaders of the Chinese regime, identifying China with the Soviet Union in this way is likely to be considered offensive to the Chinese.

Question 4. in recent months, there has been a strong movement toward rapprochement between the Soviet Union and Red China. If this rapprochement is achieved, do you think it would undercut China's ability to "mesh well with our alliance and security relationships in Asia and Europe"?

Answer. The Chinese and the Soviets have just concluded their second round of talks in Moscow. So far as we can determine, little progress has been made in narrowing basic conflicts of interest although there has been agreement on expansion of trade and some lowering of rhetoric and tensions. The Chinese continue to characterize the Soviets as the principal threat to global peace and to China's national security. China insists that normalization cannot be realized unless there is significant progress toward the withdrawal of Soviet forces from Afghanistan, Vietnamese withdrawal from Kampuchea and reduction of Soviet forces along the Sino-Soviet border and in Mongolia.

So long as the Chinese continue to insist on these conditions a strong movement toward rapprochement is unlikely and in any event we do not anticipate a return to Sino-Soviet relations of the 1950's. A full rapprochement between the Soviet Union and China, though unlikely, would of course have significant negative consequences for our relations with China unless it were accompanied by very far reaching changes in Soviet international behavior that are, unfortunately, even less likely.

Question 5. Since you state that the Administration does not intend to give aid to Red China, would you object to a separate provision in the security assistance law

which would continue the prohibition on aid to China, but which would put it in a distinct list of Communist countries which are prohibited for aid purposes?

Answer. The purpose of the proposed amendment is to remove a prohibition against foreign assistance to China which lumps China with the Soviet Union and Soviet bloc countries, a prohibition which treats China differently from the way we treat other non-allied countries with whom we have friendly relations. To continue the same prohibition in a different form would not serve any useful purpose and might even be counterproductive.

Question 6. There have been reports recently of a very troubling nature about human rights violations in Red China. Specifically, it seems that the population control programs in that country include a provision for mandatory abortion if a woman is pregnant with her second child. While this information has surfaced recently because of one researcher, the Committee has been told by very reliable sources that there is corroboration of this information in the public record. What, if anything, does your Bureau, the China Desk or other U.S. Government agencies know about the truth of these charges?

Answer. We do not know of such a sweeping provision. However, we do know that, under the severe pressure of China's campaign to limit population growth, forced abortions do occur. At the beginning of this year, China launched a major campaign to prevent the population from growing beyond the level of 1.2 billion in the year 2000. Couples are strongly urged to have only one child and strong pressures, including economic incentives and disincentives, have been used. Although the Chinese Government has consistently stated that it does not approve of coercion in family planning, local leaders are under great pressure to implement population control measures. In these circumstances, abuses clearly occur and appear to have become more frequent.

Question 7. How is it that your Bureau has put out so little information about this issue when it has been a constant theme, although not predominant, in the professional literature in recent years? Don't you have experts at the State Department who are supposed to keep track of things like this in China?

Answer. The annual Human Rights Reports issued by the Department have noted many human rights abuses in China, including those that result from China's population control campaign. The Human Rights report for 1979 noted that there were "reports of forced sterilizations and forced abortions even in the later months of pregnancy, although it is not clear whether these are sanctioned by the government." Subsequent reports noted the continued pressures on parents, including economic incentives and disincentives, to restrict family size. Attention in the past year has been focused on reports of female infanticide, and high-level government condemnation of the practice, and the 1982 Report referred to these reports. Additional information on forced abortions came to our attention after submitting the final report to Congress. I can assure you that I take this question seriously and that our experts in the Department will make a strong effort to find the facts about it in preparation of the 1983 Human Rights report. Naturally, since China is a relatively closed society, information on this and other human rights abuses is difficult to acquire and often difficult to verify with a reasonable certainty.

Question 8. What do you plan to do to find out whether the charges are true?

Answer. We have asked our Embassy in Beijing to examine family planning practices and prepare a comprehensive report as additional information becomes available. We have also raised this issue with several population experts both inside and outside the Department and in Beijing. We will continue to do so.

Question 9. If you had any information on the matter, when was this information in the possession of your Bureau? Was it before you negotiated the so-called "China communique" which appeared last August?

Answer. We have had sporadic reports on this issue over the years, as I have already indicated in my reference to the 1979 Human Rights report. As I noted in the answer to question 7, we have received more information since the publication of the 1982 report earlier this year.

Question 10. Your Bureau has never, to my knowledge as a Member of this Subcommittee, addressed this rather serious charge. On the other hand, our American Republics Bureau must always keep the human rights situation high on their list of priorities for public, as well as quiet, diplomacy. Have you ever brought up the subject with the Red Chinese at all?

Answer. With China, as with other countries with whom we have friendly relations, we believe that our chances of registering our human rights concerns effectively are usually best when we do so quietly, through private diplomatic channels, rather than publicly. We have raised a number of human rights problems with the Chinese in this way. So far as I can determine, we have not discussed this specific

problem directly with Chinese officials. If our further checking confirms the reports mentioned in the answer to question 6, we undoubtedly should do so.

Question. 11. Let us assume, for the moment, that your consultation with our own Government experts reveals that the charges have substance, and that you have been ignorant of this widespread and grievious violation of human rights in Red China, how would that finding affect the dealings of the United States with that country?

Answer. Human rights abuses are of grave concern to the Administration, to Congress, and to the American people, and therefore adversely affect our relationship with any country. This is far from the only human rights problem in China. We will continue to raise our concerns on this and other human rights issues in China. However, as with other countries with whom we have friendly relations, we believe that our human rights concerns are best pursued in harmony with, rather, than in contradiction to, our other foreign policy objectives. Moreover, we believe that our influence in support of human rights objectives often can only be used most effectively when we pursue this approach, whether it be with China, South Korea or El Salvador.

Question 12. Some have charged that the United States is already contributing to the Chinese abortion practice through its contributions to the United Nations, which has a world population program in which Red China participates. Is that true? Do you think that should be so, given the grave nature of the charges about mandatory abortions in the late months of pregnancy for reasons for population control?

Answer. The United Nations Fund for Population Activities (UNFPA) provides assistance to population activities in 30 countries, including the People's Republic of China. For several years UNFPA supported a research project for vacuum aspirators in the People's Republic of China that was abortion related. That program ended in 1981. UNFPA, however, does not encourage projects in abortion-related fields and is not now involved in financing any abortion-related activity in that country. It has never been involved in any programs of coerced abortion.

Question. 13. I would like an indication of your own inclination on this matter, for the record: Do you think forcing a woman to have an abortion against her will violates her human rights? Do you think aborting a child during the last months of pregnancy—in effect, killing it just weeks before it would be born--violates the human rights of that child? What can the United States do to bring such violations to the attention of world opinion? Can we do anything to help stop the practice?

Answer. I cannot state strongly enough that this Administration abhors coerced abortion whenever and wherever it occurs. It is an obvious violation of the mother's person resulting in the death of an unborn child. In keeping with the general U.S. approach to human rights abuses, we believe that in the case of countries with whom we have friendly relations direct discussions between government representatives can be more effective than official denunciations in improving human rights conditions.

Question 14. Pease tell us for the record what you plan to do about this matter in your own Bureau? Has something been going wrong over there that would explain why you have not been abreast of these developments and have not anticipated their grave policy implications? What went wrong?

Answer. The Bureau will pursue this matter diligently as will the Human Rights and Humanitarian Affairs Bureau. As I noted in answer to previous questions, our Embassy has reported to us on this issue in the past. We have informed them of Congressional interest in this subject and requested that they continue to provide us with information as it becomes available.

Question 15. Do you think this matter is worthy of mention now to the Red Chinese? Are you carrying on any negotiations with them at present? Was this matter one of the factors in the State Department request to remove Red China from the list of countries which are prohibited from receiving U.S. aid?

Answer. Human rights concerns have been and will continue to be the subject of discussions between us and China, as with other countries. I believe that on the whole, the maintenance of friendly relations with China and contacts between the American and Chinese people is one of the best ways that we can encourage improvement of human rights conditions in China. However, the specific issue of forced abortion was not a factor in our request to remove China from the list of countries which are prohibited from receiving U.S. aid.

At the same time, I would emphasize that we are only asking to have the legal prohibition lifted. We are not proposing any aid programs for China and if any were to be proposed in future years they would have to go through a process of thorough Congressional review.

Question 16. If you have any further negotiations with the Red Chinese, on any matter, can you assure us now that this matter will be brought up with them? Will you tell them it is of grave concern to many people in this country? Will you call their attention to the outcry in this country against human rights violations elsewhere in the world, and point out that it implies that, if Red China condones this practice, and continues to do so, the United States will have to condemn it vigorously, publicly and consistently, and that it will be an obstacle to improved relations between our countries until it is stopped?

Answer. As I have stated before, this Administration shares your abhorrence of coerced abortion and other human rights abuses and will continue to raise such matters. As I indicated in my answer to question 11, I believe as a general practice that with countries with which we have friendly relations such concerns are best pursued through diplomatic channels. In doing so, we point out the strong concern of the American people about human rights violations.

Question 17. After the United States itself, the United Nations Fund for Population Activities is the largest source of international population assistance. The United States, in turn, is the largest contributor to UNFPA, having contributed $32 million in 1981. Does the United States have a U.S. national now serving in the position of Deputy Executive Director of UNFPA?

Answer. No. As I understand it, the highest ranking U.S. nationals in UNFPA are the Chief of the Office of the Executive Director; the Chief of the Interregional and Global Staff; and the Chief of the Policy Planning and Statistics Branch.

Question 18. Does UNFPA money go to the People's Republic of China for population control programs there?

Answer. UNFPA supports a variety of population assistance programs in the People's Republic of China. Chief among these are projects to provide assistance to improve demographic training and research in universities, to establish a modern professional publicity and education network for family planning programs, to strengthen research capabilities, and to support a population census and related activities.

Question 19. Is it possible that U.S. funds are being used in the on-going population control program, including mandatory abortions in certain cases, being carried on by the Government of the People's Republic of China?

Answer. As defined in the Foreign Assistance Act, we do not provide any direct foreign assistance to China. Moreover, no U.S. foreign assistance is used or connected in any way with programs involving abortions in any country. This is in accordance with authorizing legislation for AID adopted in 1974. All AID fund population contracts and grant agreements with private and voluntary organizations and with host governments incorporate language to prohibit use of AID funds for abortion-related activities. I am informed by our Bureau of International Organization Affairs that these same guidelines apply to U.S. contributors to U.N. organizations such as the UNFP.

[Whereupon, at 11:20 a.m., the subcommittee adjourned, subject to call of the Chair.]

LATIN AMERICA: LEGISLATIVE ISSUES

MONDAY, MARCH 14, 1983

UNITED STATES SENATE,
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the subcommittee) presiding.

Present: Senators Helms, Kassebaum, Zorinsky, Dodd, Pell, Glenn, and Biden.

Senator HELMS. The subcommittee will come to order.

Today the Subcommittee on Western Hemisphere Affairs will hear testimony from administration witnesses on the proposed AID request for Latin America and the Caribbean. We welcome the members of our first panel, Dr. Fred Ikle, Under Secretary of Defense for Policy, and the distinguished Ambassador Thomas Enders, Assistant Secretary of State for Latin American Affairs.

I know that you gentlemen have considerable ground to cover this afternoon, and in view of that and in view of the testimony from the second panel, with representatives from AID and USIA, we will move directly to your opening statements. In the interest of time, if you could limit these to about 10 or 12 minutes that would be helpful in terms of our schedule.

Dr. Ikle, if you would proceed.

STATEMENT OF HON. FRED C. IKLE, UNDER SECRETARY FOR POLICY, DEPARTMENT OF DEFENSE

Dr. IKLE. Mr. Chairman, thank you for inviting me to testify before the subcommittee. I shall focus briefly on Central America and the Caribbean, in particular on the importance of that region for national security.

Last week the President pointed out that the Soviet military noticed what we failed to notice, "that the Caribbean Sea and Central America constitute this nation's fourth border."

What is our defense policy for our four borders? To the north, we rely on the tranquility of our long frontier with Canada, and on our common defense of the Arctic approaches to this continent. To the east, two world wars that began in Europe taught us the value of a strong alliance to keep the peace. To the west, we have learned, after the North Korean attack, that we need to maintain a firm deterrence posture.

Indeed, Congress and the American people are by and large supportive of the continued forward deployment of 480,000 U.S. forces,

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east and west. But to the south, while we have some 14,000 U.S. military in Panama, Guantanamo, and Bermuda, we are now debating whether we should have more or fewer than 50 U.S. trainers in El Salvador.

Likewise, while our security assistance for countries in the Mediterranean Basin amounts to some $4.5 billion, we are now debating whether we should allocate only $86 million or $216 million to our neighbors in the Caribbean Basin and Central America.

The administration is, of course, not arguing that our security assistance for our Caribbean Basin neighbors should be anywhere near the 20 times higher level of our assistance for the Mediterranean Basin. The amount we are proposing for the security of our fourth border is only a small fraction of our assistance to the Mediterranean region—a stitch in time, you might say, so that much larger expenditures will not be needed.

The trends in this region are disquieting:

A year ago, I reported to this committee that in 1981 the Soviets had delivered 63,000 tons of arms to Cuba. Today, I must report to you that the Soviet deliveries have increased further, to 68,000 tons in 1982—about 1 billion dollars' worth of military assistance.

Also, the number of Soviet military advisers in Cuba increased by 20 percent in 1982, up to 2,500. In addition, the Soviet Union has some 6,000 to 8,000 civilian advisers and, as you know, a brigade stationed in Cuba.

Mr. Chairman, when this committee votes on the level of U.S. assistance to Latin America, you and your colleagues want to keep in mind these two comparisons: One, Soviet military advisers in Cuba outnumber U.S. military advisers in all of the Latin American countries 25 to 1; two, the amount of Soviet arms assistance to Cuba is about 10 times larger than the U.S. military assistance to all of Latin America.

Now, some people complain that we seek to bring the East-West conflict to Central America and the Caribbean; but Mr. Chairman the East has already arrived there, 25 to 1 and 10 to 1.

The military buildup in Nicaragua has likewise continued unabated in 1982. Nicaragua admits to having increased the number of military and security forces to 138,000. This includes 39 percent of all the males over 18 years old who are fit for military service. According to a Sandinista official, the first class of 30 pilots—part of about 70 Nicaraguans training in Bulgaria—was due to complete its training in December last year.

Improvements have continued on existing landing strips in Nicaragua to allow them to accommodate modern jet aircraft, and we see 36 new military bases and garrisons in Nicaragua now under construction or completed.

By contrast, in neighboring Honduras, no new military bases are being considered. Yet, when the administration last year sought some funding for upgrading two airfields in Honduras, we were accused by some of provoking Nicaragua. Some provocation—2 against 36.

Soviet support for Nicaragua is quite open. Military equipment is delivered on Soviet bloc ships directly to Nicaraguan ports. Approximately 50 Soviet tanks have been introduced into Nicaragua. Nicaragua has received about 1,000 East German trucks, 100 anti-

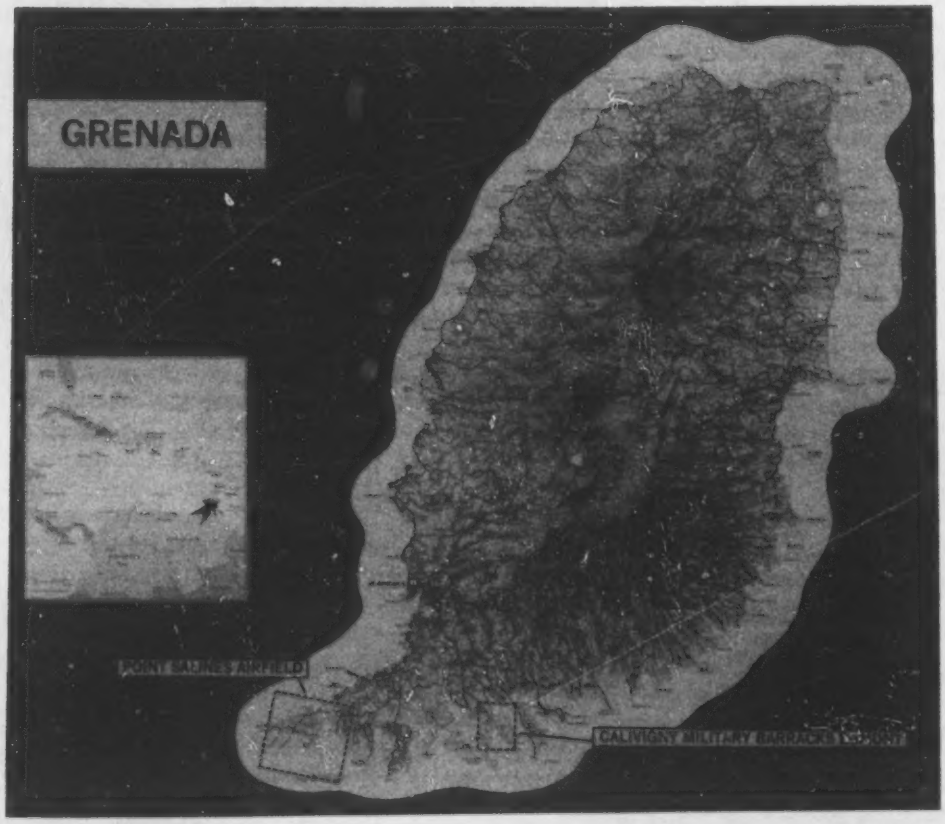
aircraft guns, and 3 brigades of Soviet artillery that can achieve ranges over 27 kilometers.

The Cuban presence, Mr. Chairman, in Nicaragua continues undiminished.

You see the Cuban military buildup between 1980 and 1981, continued into 1983; an increase in civilian personnel, Cuban civilian personnel in Nicaragua in 1982. As we see it in 1983, it is still about the same level.

During the past year, Cuban presence and influence has also increased on the Island of Grenada in the Caribbean. To be sure, Cuban and Soviet goals in Grenada are both political and military. They seek to insure the monopoly of power by the Bishop government, all the better to use Grenada as a military springboard and for propaganda dissemination in the eastern Caribbean.

But there is also the military dimension that always accompanies the expansion of Soviet and Cuban influence. We can show you very recent photographic evidence of the buildup on the island of Grenada.

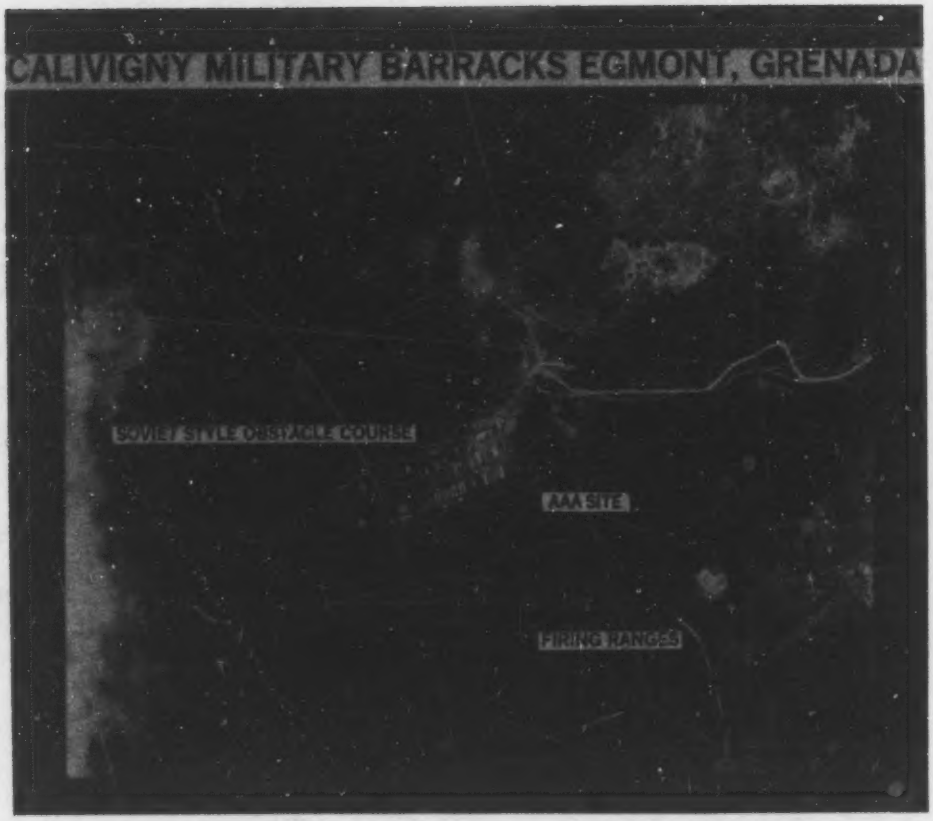


Hundreds of Cuban construction personnel have continued to work on the Point Salines Airfield. Extensions of the runway to about 10,000 feet will force relocation of the St. George Medical School. Coupled with other support facilities, the airfield will sig-

nificantly increase Cuban and Soviet capabilities to extend their reach in the Caribbean, Latin America, and Africa.

The Grenadian Minister of National Mobilization has boasted last year that Cuba will use the new airport in Grenada to supply troops in Angola, and he also indicated that because of its strategic location the airport may be used by the Soviet Union.

Cuba has also constructed a military camp, of which we have recent photography, Mr. Chairman, in Grenada. The camp includes barracks, administration buildings, vehicle storage sheds, support buildings, and a training area with a Soviet-style obstacle course. Recent clearing activity near the camp indicates that additional training facilities may be built. The camp is capable of housing a battalion-size unit and is being built by the Cubans.



Grenada is rapidly becoming a closed society. There is only one political party—the New Jewel Movement. The government controls the media, after closing the two independent newspapers. Grenadians have effectively lost their rights of assembly and freedom of speech. Any signs of opposition result in arrest, detention, and physical abuse.

Southeast of the Island of Grenada, the Latin American nation of Suriname is now also on the verge of becoming a totalitarian dictatorship linked to Cuba. Last December, the military tyrant of Suriname, Lieutenant Colonel Bouterse, liquidated his opposition. He firebombed labor union headquarters and radio stations and arrested 15 prominent labor leaders, journalists, student leaders, and the bar association president. All were tortured and then killed. In early February Bouterse arrested his deputy in a purge of the military and he, too, was later found dead under most suspicious circumstances.

The Fidel Castro role is evident in these recent events in Suriname. The Cuban Ambassador, Oswaldo Cardenas, is a senior intelligence officer who was formerly chief of the Caribbean section of the Americas Department of the Cuban Communist Party. The Americas Department is responsible for Cuban covert activities. Cardenas played a key role in establishing the Bishop dictatorship in Grenada. Now he is doing his work in Suriname.

Mr. Chairman, let me turn briefly to the larger question: The meaning for U.S. defense policy of these trends in the Caribbean region. In essence, we face a struggle between the development of democracy and the imposition of new totalitarian regimes that form part of the Soviet imperial expansion: Cuba, Nicaragua, Grenada, Suriname.

This struggle involves both a political and a military effort. Some 35 years ago, the democratic forces lost a similar contest in Eastern Europe. Stalin employed both his preponderance of military power and political deception to prevent democracy from taking hold in Poland, Hungary, and Czechoslovakia.

The situation in the Caribbean-Central America region is obviously different. Preventing Cuban military dominance in this region is easier than it would have been, say, in Czechoslovakia in 1948.

But if we deny arms, ammunition, and money to those fighting the Cuban-backed forces, if our European allies and U.S. banks keep sending more money to Nicaragua than to El Salvador, if we force those who wish to build democracy to share power with those bent on destroying it, if we simply wash our hands of the conflict, then indeed, Mr. Chairman, the military strength that the Soviets and Cubans have assembled in the region is quite adequate to turn Central America into another "Eastern Europe."

Now, we hope, of course, that this is something that will never materialize. But like other disasters, like the risk of nuclear war, we have to make sure that we can prevent it, and we have to consider what it might mean.

We all agree, of course, that improvements are needed by those whom we seek to help, in military performance and tactics, in the protection of human rights and the control of violence. Mr. Chairman, I would be pleased to answer your questions.

Senator HELMS. Thank you, Dr. Ikle.

The Chair would note the voting light is on, and the subcommittee will have to recess in a moment. Let me ask you one question, and when I return we will go right to Secretary Enders and then we will have questions of both of you.

You spoke of political and military requirements, Dr. Ikle. Are these alternative policies?

Dr. IKLE. Mr. Chairman, they are not alternatives. We have one policy that has political efforts to strengthen democracy, to strengthen human rights and economic development efforts, and a military effort to protect these first two efforts.

If the military effort should fail, there is no alternative track. Then we can no longer protect the economic and political development. It would be like in other countries, like in Cambodia; when Pol Pot took over there was no second track.

Senator HELMS. Well, you have really answered the second part of my question. Are you advocating a two-track approach, as mentioned in the media so often, where we would move away from the military effort if it does not succeed and try then to find a negotiated settlement?

Dr. IKLE. Mr. Chairman, as the President explained in his speech last week, it is in essence a three-pronged effort: A very important political effort to strengthen human rights and democratic institu-

tions and the election process, particularly in Salvador, but to help other countries as well; an economic development effort in the entire region, and, of course, in particular in El Salvador; and a military effort, military assistance and military help to protect these economic and political developments from being destroyed by the use of force and violence by those who do not want democracy to be established in Central America.

Senator HELMS. You mentioned the threat to our sealanes from the military capability in Cuba, and the President himself last week referred to the Soviet military who wanted to tie down our forces and to limit thereby our capacity to act in Europe.

Do you really think that our European allies are aware of this possibility, this danger? If so, what are they doing about it?

Dr. IKLE. The roles played and the positions taken by our European allies in the struggle for democracy in Central America and the Caribbean are very disppointing. They either want to remain quite ignorant about what really goes on and permit themselves to be deceived by totalitarian propaganda, or some may be outright mischievous.

One European ally, France, has supplied arms to Nicaragua. Our other European allies supply considerable economic assistance to Nicaragua, but refuse to help those who want to build up democracy in El Salvador and in other Central American countries.

Senator HELMS. Is anybody being helpful to us in Central America?

Dr. IKLE. They are not, in essence. And yet so clearly, as the President pointed out in his speech, it is in their interest, because the vitality of the Atlantic alliance depends on this military trust in the Caribbean Basin and in Central America being halted and reversed. And indeed, the functioning of the Atlantic alliance in the event of war could be seriously impaired by the military presence of the Soviets in Cuba and in other places like Grenada in the Caribbean.

This our allies should understand, but they do not seem to act accordingly.

Senator HELMS. I saw a series on television, part of it, about Winston Churchill in the last couple of weeks. Maybe you saw it. It is a different scenario, but they may be shooting themselves in the foot by not recognizing the peril.

One final question and then I must go vote. I note that some of my colleagues in the Senate and in the House think that certification of human rights improvements required by the legislation we passed last year should be tightened up further, and that Congress should add additional requirements for human rights and perhaps even require negotiations.

I think I know the answer to this, but do you think that is the way to restore democracy in El Salvador?

Dr. IKLE. Secretary Enders may want to comment on this further. Let me just speak to it broadly from the point of view of the security requirements.

We certainly want to encourage the development and strengthening of human rights, and we want to encourage arrangements for free elections. But should we press for a negotiation that in essence means the sharing of power between those who want to build de-

mocracy and those who want to destroy it, between those who are willing to have a pluralistic sharing of power and those whose philosophy really advocates a monopoly of power, then I think the struggle would be lost. Then we would be going down the road that we have gone down in Laos, as the President pointed out in his speech, or that we have gone down in Eastern Europe, as I alluded to in my statement.

Senator HELMS. While you were delivering your statement, you discussed Suriname and how it is now on the verge of becoming a dictatorship linked to Cuba, and you talked about the Colonel liquidating his opposition, firebombing the labor union headquarters and radio stations, and so forth.

As you were making that statement Dr. Ikle, I wondered how many Americans have any awareness of this at all. They are hearing in great detail on the evening blues every night and in the papers every morning about everything that happens in El Salvador. But I would imagine that not 1 percent of the American people are aware of this.

If you will forgive me, I am going to let this committee stand in recess. I will go vote and be right back.

[Vote recess.]

Senator KASSEBAUM [presiding]. Ambassador Enders, I do not think Senator Helms would care if we go ahead and get started. I will not ask any questions until he gets back, but I think he would wish us to go ahead and get started with your testimony. Thank you very much.

STATEMENT OF HON. THOMAS O. ENDERS, ASSISTANT SECRETARY FOR INTER-AMERICAN AFFAIRS, DEPARTMENT OF STATE

Mr. ENDERS. I appreciate the opportunity to appear here to discuss Central America and, of course, the stake in Central America and, of course, El Salvador. With national interest at stake, we need a consensus to sustain bipartisan support for policy in the region. I think that is clear.

As the President said last week, if El Salvador falls, no country in Central America will be safe, and our own security will be affected.

Every American President, particularly since we assumed global responsibilities in World War II, has known that we cannot defend ourselves and meet our commitments around the world without a secure Western Hemisphere. The challenge that we face in Central America is particularly a complex one. In the area, there is a widespread desire for change, democratic change, as we saw in election after election over the last 17 months. There is widespread economic suffering, the result of the worldwide recession and fighting and disruption within the area. And there is a concerted attempt by Nicaragua and Cuba, backed by the Soviet Union, to unite, to train, to arm violent insurgent movements, turning them into instruments for the destruction of established governments.

Yesterday, something interesting happened. In a rare moment of candor, the Salvadoran guerrilla radio admitted its dependence on outside supply and support in the form of, and I quote them, "im-

portant logistical operations of a clandestine character with which we have armed and munitioned our forces for a long time."

Our strategy must be to respond to each aspect of the challenge, and let me summarize it briefly if I could, in six points.

Our first component is to promote and protect democracy. That is why we were so encouraged to hear President Magana call for presidential elections this year open to all, including the guerrillas and their supporters. We saw the Holy Father support democracy as the way to reconciliation and peace in El Salvador, and President Magana has just named a Peace Commission with a Catholic bishop and two independents as members to help adversaries participate under open and protective conditions. He has also asked the Organization of American States to help.

The second element of our strategy is to provide economic assistance to help overcome the suffering caused by the fighting and the recession, which has hit El Salvador particularly hard. Our assistance to Central America has been predominantly economic in the past, and it will remain so in the future.

Third and critically, it is to give our Salvadoran friends enough military training and assistance to regain the initiative against the insurgents. This is vital because the guerrillas will never participate in the democratic process if they believe they can win militarily. I do not think the situation is grave or desperate, unless we fail to help our friends. The Salvadorans face a mobile, well-supplied enemy whose main tactic is to attack the economy. We believe we should now put the emphasis even more heavily than before on training.

Fourth point is to give the area hope on the future. That is what the Caribbean Basin Initiative is all about. I sincerely hope that the Congress will consider it again and pass it soon.

Fifth point, it is to deter the Soviets and the Cubans from putting forces in Nicaragua or giving Nicaragua planes that can threaten its neighbors. We have told them both that a very dangerous situation would arise if they did. And opposition is growing within Nicaragua itself. As it does grow, we hope the Sandinistas will give up their "revolution without frontiers" and come to the bargaining table persuaded that they must come to terms both with their own society and with their neighbors.

Sixth, it is to foster peaceful solutions in Central America. Last week the President spoke in favor of negotiation among countries in the region, covering such issues as the removal of foreign military and security advisers and trainers, the banning of imports of heavy offensive weapons, the democratic transformation of all the countries in the area. He also spoke in favor of negotiation within countries about how all groups, adversaries, and supporters alike, can participate in open elections. We will not support negotiations that short circuit the democratic process and carve up power behind the people's back.

Clearly, none of this is going to work if we tire, and fail to sustain our support. I do not think, however, that that is what the American people want us to do.

Over the past 2 weeks there have been intensive consultations between the administration and the Congress. Let met try to summarize the reactions that we have received. First, we have found

the Congress unanimous in not wanting to see a Marxist-Leninist victory in El Salvador. I do not think anybody here wants to see more Nicaraguas in Central America.

Second, there is widespread abhorrence of the violence which has inflicted Central America and a desire on the part of all to see the governments of the region adopt humane policies toward their populations.

Third, there is an appreciation of the fact that economic dislocation and social injustice breed violence, and that Central America's problems cannot be solved without addressing these root issues.

Fourth, there is a belief in democrary and the advantages of resolving the crises in the region through the democratic process in a way that is fair and assures the participation of all political elements.

Fifth, many spoke of the need to exhaust such opportunities as there may be to reach a responsible solution through negotiation. A few have spoken to us about the need for power-sharing negotiations or unconditional negotiations. But frankly, it appears to be the view of a small minority. The memories of what happened to a coalition government with Marxist-Leninists in Nicaragua—for that matter, in Laos or Czechoslovakia—are too alive to convince very many that this is the way that will safeguard either our security or democracy in the area.

Some place hope that the negotiations among all Central American countries can help. A regional peace initiative is now emerging. We have been in close touch with its sponsors, and wish it well.

Some in the Congress have expressed the hope that negotiations within the framework of democratic institutions can achieve results. We believe that this country and other OAS members can help in this regard. As the President himself noted last week, together we should be able to assist the Salvadoran Government to provide the guarantees of personal security, of access to media for campaigning, of a fair count, of respect for the results of the votes cast which all participants are entitled to expect.

Constitutent Assembly President Robert D'Aubuission of El Salvador called last week for the political arm of the guerrillas, the Frente Democratico Revolucionario, to take part in the election. The new Peace Commission has been charged to make the contacts necessary to assure that both we and others will be making detailed proposals on how to support this effort to achieve universal participation in the coming elections.

Now, sixth and very importantly, many in the Congress expressed concern that the military effort in El Salvador needed reinvigorating. As you pointed out last week, Mr. Chairman, in an article in the Washington Times, a democratic solution will not be possible in Central America unless it is possible to hold off the military challenge of the guerrilla forces.

The President is making three proposals:

First, that we meet a critical need for military assistance in El Salvador. Last Thursday, a $60 million reprograming request for FMS loan guarantees for El Salvador was presented to Congress. We are also requesting within our January supplemental proposal reallocation of $50 million in MAP assistance. Note that this in-

creased assistance for El Salvador requires only funds already requested; no new funds are sought.

A little over half of this assistance is for urgently needed ammunitions and spare parts. The rest is for training and associated costs. We hope for speedy action on this request. The needs are real, and in this period when so much progress has been made in so little time in El Salvador, we want to respond to those needs.

Second, that we take a hard look at the overall military situation in El Salvador—what has worked over the past year and what has not. We have seen good performance of the military units we have trained. By our own evaluation and by that of the guerrillas, these units have done well, and their relations with the local populace have been good. But we have not done enough. We have trained less than 10 percent of the Salvadoran forces and we must do more. We are, therefore, going to propose, via adjustments in our existing supplemental request, a program of $50 million focused on training and equipping the Salvadorans to meet their guerrilla challenge.

And finally, the President is proposing that we continue to seek the solution to the problems of Central America primarily through economic rather than military assistance. Accordingly, we are proposing over the level approved in the continuing resolution, economic and development assistance for the region, and we are proposing additional amounts for El Salvador focused on the northern development project inaugurated by President Monge and designed to deter Nicaraguan encroachment and pressure.

In Honduras, the poorest country in the region that has been very robust and vigorous in responding to the Communist challenge in El Salvador, that new funds be available among others in part to permit the Salvadorans to undertake a new integrated effort in the key eastern departments of San Vicente and Usulutan to overcome the guerrilla challenge there.

All together, these additions would bring 1983 economic assistance to Central America, including Belize and Panama, to a requested level of $628 million, as against $361 million in fiscal year 1982, and $479 million requested for fiscal year 1984. Military assistance would go for the same Central American area from $121 million in 1982 to $188 million in fiscal year 1983, to a requested $152 million in fiscal year 1984.

Clearly, these are not insignificant sums, but U.S. security interests are at stake. There is a growing agreement, not only within the United States but among concerned observers in the region and outside it, on the kind of actions needed to end the bloodshed in El Salvador and prevent its spread to neighboring countries.

The funding we have requested supports action consistent with basic American principles and national security. And I think it is a fact, perhaps implicit in the testimony of Secretary Ikle, that the investment we are now proposing to make is, indeed, much smaller than the investment we would have to make if a challenge to the area to our security in El Salvador is not effectively contained and overcome.

Thank you, Mr. Chairman.

[Mr. Enders' prepared statement follows:]

Prepared Statement of Hon. Thomas O. Enders

This prepared statement reviews the dimensions and purposes of our proposed bilateral assistance for Latin America and the Caribbean, including the programs announced by the President on March 10, 1983.

As the President said on March 10, we believe that it is imperative to help the nations of Central America forge a democratic alternative to Communism. To that end, we seek economic and security assistance to help them meet their immediate and pressing needs within a comprehensive plan to replace poverty with development and dictatorship with democracy.

This prepared statement also raises two important proposals which, though not strictly part of our bilateral assistance program, would advance U.S. interests in Latin America and the Caribbean: the Latin American dimensions of the President's Project Democracy and the trade and tax components of the Caribbean Basin Initiative.

I. THE OVERALL REQUESTS

Two separate assistance requests are involved: a fiscal year 1983 supplemental for $185 million for Latin America and the Caribbean and a fiscal year 1984 assistance proposal that totals $1,105 million for the region: $894 million in ESF, development assistance and "food for peace" programs, and $211 million in FMS, MAP, and IMET programs.

Within the supplemental, $90 million in ESF assistance is allocated to Costa Rica, the Dominican Republic, the nations of the eastern Caribbean, Guatemala, Honduras and Jamaica. In addition, $5 million in development assistance is proposed for Belize. On the military side, we are requesting $14 million in FMS credit and about $75 million in MAP. About two-thirds of the MAP request, $50 million, is for El Salvador; the rest is for key Caribbean countries, Costa Rica and Honduras.

The bilateral assistance proposal for fiscal year 1984 requests $398 million in ESF for the Dominican Republic, Jamaica, Suriname, Haiti, the Eastern Caribbean and four nations of Central America. Development assistance totaling about $300 million is proposed for the same nations, plus Bolivia, Ecuador, Peru, Panama, Belize and Guyana and our regional programs. No ESF or development assistance request has been made for Nicaragua, which last year rejected ESF funds offered to private sector, church and trade union organizations. About $195 million in "food for peace" programs is requested for all recipient nations except Belize and Suriname.

All the supplemental fiscal year 1983 economic assistance (including the recent additional request of $65 million), and 88 percent of the proposed fiscal year 1984 economic aid, are directed to the nations of the Caribbean Basin. This is in furtherance of the President's commitment to assist the nations of that region to meet their present economic challenges and, more importantly, to develop their private economies to the maximum in the medium and long term.

The fiscal year 1984 request also includes $88 million in FMS credit and $110 million in MAP for the region. This is a higher proportion of grant (MAP) assistance than in previous years, reflecting the fact that some countries cannot afford assistance in the form of high-interest FMS loans because of adverse economic conditions. Of the total FMS/MAP request, some 78 percent is for Caribbean Basin countries, which continue to face major military as well as economic problems. Our total IMET or training request, all of it in the fiscal year 1984 proposal, is less than $13.6 million. IMET is a cost-effective way to provide professional and technical military assistance, and also helps expose potential military leaders to American values and institutions.

By any measure, the assistance package we are proposing is heavily weighted toward economic aid. Taking both the supplemental and the fiscal year 1984 requests, proposed economic assistance is more than three times larger than military assistance.

The amounts involved are also very modest—perhaps too modest—in light of the national interests at stake, particularly in Central America. Looking at the world as a whole, Latin America accounts for only about 12 percent of the Administration's global fiscal year 1983 supplemental request for military assistance, and only 3 percent of the fiscal year 1984 request.

II. RATIONALE

U.S. policy is to use our limited resources to support democracies and encourage those nations in transition to democracy. In Central America in particular, our assistance is urgently needed to assist friendly democracies to defend themselves

against forces which would undermine their peaceful, democratic institutions and would introduce in their place domestic totalitarianism and foreign adventurism. We are also seeking, in this period of widespread economic difficulty, economic assistance programs to promote internal development and basic human needs, within budgetary and economic graduation constraints. Finally, we also should maintain and refine the cooperative military relationships built up over the past. These are the criteria which we have applied to develop our bilateral assistance program for Latin America and the Caribbean.

Now more than at any other time in recent memory, Latin America and the Caribbean face severe challenges to their economic and political stability.

Unfortunately, the problems of Latin America and the Caribbean are not only economic, nor can they be remedied by purely economic means. Tensions continue to build in Central America, where Cuba and Nicaragua actively incite and support guerrillas and terrorism in El Salvador, Guatemala, Honduras and Costa Rica. Though Cuba remains physically isolated, Castro wields substantial influence by maintaining a large cadre of military and security advisers stationed in Nicaragua, by coordinating military training and arms supplies to the Nicaraguan regime and to the guerrilla bands in other Central American nations, and by acting as the chief propagandist and patron of armed "revolution." Nicaragua continues its policies of totalitarian consolidation and rapid militarization at home and support of guerrilla violence against its neighbors. Some South American democracies are also under attack by leftist guerrillas. Colombia continues to face violent attacks by leftist groups, in spite of government offers of amnesty. Peru faces a narrowly-based but troublesome challenge from the Sendero Luminoso band. In the Eastern Caribbean, democratic states must reckon with Cuba's destabilizing activities and anti-democratic developments in Grenada.

The answer to this guerrilla threat cannot be purely military. A lasting answer can only be found in the national development and personal security which democracy can bring. But until the guerrillas are stopped, the battlefields will spread and the stakes will increase. That is why economic assistance, domestic reform, and international economic cooperation must be supplemented by security assistance, and why the whole must be welded together by a strong diplomacy for peace.

The measures required to attain peace in Central America are reasonably clear. They are:

Taking Central America out of East-West competition, through such steps as removal of all foreign troops and military advisers;

Defusing tensions among nations in Central America, by reciprocal and verifiable agreements on arms imports, frontier control, and an end to assistance to insurgent groups in each other's territory;

Launching a region-wide democratic transformation, by ensuring that all citizens who organize politically can have a secure voice in the future of their country through democratic elections; and

Strengthening the economies of the region by working to promote increased international trade and by implementing the economic initiatives of neighboring countries, including our own Caribbean Basin Initiative.

We favor negotiations to these ends both among and within nations. However, we do not and cannot support "negotiations" designed to divide up power among armed groups on the basis of bullets instead of ballots.

Despite a generation of rapid growth, economic reactivation is again becoming a hemisphere-wide priority. International economic and financial conditions are taking a heavy toll not only on Latin America's most fragile economies, but also on some of its largest and formerly strongest. Prices for most of the region's exports (sugar, coffee, minerals) remain down sharply. Even when the world economy begins to pick up, large stocks of these commodities will depress prices for some time. Access to commercial credit markets, to help finance shortfalls in export revenue, is restricted by political as well as economic uncertainties. During the last year, bankers reacted to the serious financial problems of large debtor countries by also reducing lending to the lower-middle income nations of Latin America. Similarly, private direct investment from abroad, long a mainstay of the region's rapidly growing economies, has fallen off sharply. In spite of recent interest rate reductions, continued high rates make even limited commercial borrowing dangerously expensive to most nations.

The Latin American and Caribbean countries are making extraordinary efforts to put their own economic houses in order. At least 11 countries have instituted economic stabilization programs leading to IMF financial assistance. These stabilization efforts typically entail painful budget cuts, tight controls on money supply, and strict limits on external borrowing. They often involve currency adjustments which

can sharply increase the local cost of imported goods. But, in spite of their own considerable efforts supported by international financial institutions, the nations of Latin America and the Caribbean still face significant financing gaps in fiscal year 1984.

Moreover, from Argentina to Guatemala these adverse economic developments obstruct the political programs of moderate governments and, in some cases, directly threaten existing and developing democratic institutions. Economic decline is not an abstract. It implies short rations on resources of all kinds—and therefore threatens reform and increases rivalry among different national interests. Public sector versus private sector. Farmer versus city dweller. Military versus civilian. The immediately needy versus long-term investors and entrepreneurs. In nations facing serious internal disputes or with an urgent need for economic reform, as in Central America, economic deterioration feeds conflict and impedes reconciliation.

III. ANALYSIS OF MAJOR COUNTRY PROGRAMS

Eight nations are programmed to receive more than $50 million each in economic assistance if Congress approves our proposal for fiscal year 1984: Costa Rica, the Dominican Republic, the island states of the Eastern Caribbean taken together, El Salvador, Guatemala, Honduras, Jamaica, and Peru. Of these, all but El Salvador and Peru will also receive ESF assistance through the supplemental fiscal year 1983 request. In addition, four nations will receive more than $15 million in military assistance under our combined fiscal year 1983 supplemental and fiscal year 1984 requests: Colombia, El Salvador, Honduras and Peru.

The largest proposed recipient of economic and military assistance in the region is El Salvador. Following the recent review of the situation in El Salvador, the Administration has decided to seek $50 million in MAP through the fiscal year 1983 supplemental, in addition to reprogramming some $60 million in FMS credits from funds already authorized. In fiscal year 1984 the Administration seeks economic assistance totalling some $195 million (more than 60 percent of it ESF grants), $30 million in FMS credit, $55 million in MAP, and $1.3 million in IMET. The proposed proportion of soft loan and grant aid is based on El Salvador's hard currency shortage and our concern not to mortgage its political and economic recovery in coming years.

El Salvador's national economy has contracted by nearly 25 percent over the last 4 years. The nation's most inhibiting economic constraints are economic warfare by the guerrillas, and lack of foreign currency. Economic weakness is a source of constant friction among the moderate sectors, and a cause of human suffering through high unemployment (now approaching 40 percent in some sectors), inflation and the unavailability of basic goods. Throughout the nation, and especially in its eastern region, guerrilla sabotage has destroyed bridges, power lines and production facilities. For more than eight months, Salvadoran guerrillas have waged a massive war against the nation's economy, calculating that economic anarchy is more important to their power goals than the support of the workers and businessmen they are systematically alienating.

ESF assistance to El Salvador goes partly to repair basic infrastructure damaged by the guerrillas, but most of the ESF proposed for El Salvador will be directed to purchases of critical imports of raw materials, production goods, and basic consumer items, and to projects which will help relieve the high unemployment. ESF disbursements are linked to GOES performance on specified priority projects, including agrarian reform compensation, credit and technical assistance to the reformed agricultural sector, labor-intensive public works projects, restoration of vital public services, and humanitarian assistance. We envision a similar agreement in 1984.

On the military side, our objective is to permit the Salvadoran Armed Forces to stop the guerrillas, to protect the political and economic reforms, and to permit the development of an increasingly democratic framework. Equipment, munitions, and training are needed to meet the increasing capacity of the guerrillas, who are in large measure equipped and trained by outside Marxist-Leninist forces. During the coming months, the Salvadoran military will have to devote additional resources to safeguard the presidential elections scheduled for this year. In addition to protecting the emerging democratic process and containing the guerrilla threat, U.S. military assistance also provides our strongest leverage to encourage security forces to improve their own human rights performance.

Right now, the Salvadoran military needs additional assistance on an emergency basis. The guerrillas have been very active since last October, and their expenditure of materiel and that of the Salvadoran armed forces has been high. Though they are following the same hit-and-run tactics as in the past, are confined to rural areas of

low population and productivity, and therefore pose little direct threat to the government or the urban centers in the west of the country, there is no question that their efforts have escalated. (They are obviously confident of their sources of resupply.) The Salvadoran Government must meet this challenge. At present, the Salvadoran Armed Forces are low on ammunition and some spare parts. Only about 10 percent of them have received the training, including human rights training, which the United States can provide.

As the President's recent consultations with leaders and Member of Congress emphasized, U.S. policy is to provide military and economic assistance to help El Salvador maintain a national consensus in favor of democratic reform and to provide a secure environment in which development—politically, economic and social—can occur. The military assistance we have requested will help to better train and supply the Salvadoran army, helping to develop the skill and professionalism needed to stop the guerrillas and to protect the rights of the population. Together with our economic assistance and diplomacy, this military assistance is thus an essential component to the development of a democratic political solution.

The strategy of the armed left in El Salvador—once largely a political strategy but now increasingly military in its goals and methods—is to keep the pressure on, hoping that a failure of will or a shortage of resources will undo the democratic concensus which is being built.

Progress has been made. Although the abuse of human rights remains at an unacceptably high level, as noted in the Administration's certification last month, it has nontheless moderated measurably since the inception of U.S. economic and military assistance, and continues to moderate. We will continue to work for further improvement.

Institutional and structural changes are proceeding faster. There were fears last spring, including in this subcommittee, that the land reform would be halted. In fact, during the last half year or so, it has made its greatest strides. Through Phase I and Phase III, more than 20 percent of El Salvador's arable land has been redistributed and more than 65,000 former farm workers have been transformed into farm owners. Following the recent extension of the land to the tiller program, we expect further progress, especially in the conflict areas where the left has prevented normal implementation.

The development of the mechanisms of democracy is moving even faster. Political parties are active and, for the most part, responsible. Lively political debate is the standard, not the exception. The Constituent Assembly, though divided by the lack of a clear majority, has functioned in a balanced and effective manner. The interim presidency, also hampered by its temporary mandate and divisions among the parties, has nonetheless succeeded in forging a unified platform of governments—the Pact of Apaneca—and has moved ahead to name high level political, human rights and peace commissions to address specific issues. The presidential elections to be held this year should strengthen the Salvadoran executive and lead to further progress. All three of the commissions, and the Central Elections Council, are presently working on issues, such as an amnesty law and increased access to the media, which will help to permit the fullest possible participation in the elections—including participation by the left, if they so choose.

The achievement of a stable, democratic reconciliation in El Salvador is by no means an easy task; it requires our understanding and, most of all, our patience. To try to force a solution, such as immediate negotiations with the left on power sharing, runs the risk of fragmenting the evolving center. Such a fragmentation would remove all incentive for the left to negotiate in good faith. Just as important, it would signal that we accept as a valid foundation for political participation the military capacity of the guerrillas, a capacity derived largely from the support of powers hostile to democracy. But if we commit ourselves to a sustained policy of support for Salvadoran democracy and the moderate center, we can back our friends and be true to our own values and interests. It would be tragically ironic if, while El Salvador is manifestly moving toward the kind of society which we most want to and need to support, we were to soften our opposition to the guerrillas' violent methods or abandon El Salvador's struggle for democracy, human rights, and equitable development.

The second largest proposed recipient is Honduras, for which $30 million in ESF and $17 million in MAP is proposed in supplemental fiscal year 1983 funding. We also request $83 million in economic assistance, $40 million in MAP and $1 million in IMET in fiscal year 1984. Honduras is consolidating its recent return to democratic rule, but feels itself increasingly threatened by the unprecedented military buildup in Nicaragua and the persistence of the war in El Salvador. The Honduran economy has been buffeted by falling export earnings and by regional political un-

certainties which have slowed investment in the productive sector. Our ESF programs will provide, as in previous years, balance of payments support and help to meet private sector needs for working capital and longer-term credit for productive activities, especially export diversification. Military assistance for Honduras will also increase its capability to protect its borders and thereby restrain the illegal shipment of arms to the insurgents in El Salvador through its territory and airspace.

We have requested some $108 million in economic assistance for Jamaica in fiscal year 1984, of which $55 million is in ESF assistance, $33 million in development assistance, and $20 million in Public Law 480. In addition, we have requested $3 million in ESF in the supplemental.

Jamaica has made notable progress in reversing the decline in its economy by adopting a recovery strategy based on private sector development, foreign investment, deregulation, and careful fiscal management. Nevertheless, balance of payments assistance is needed, in part to offset low world prices for a key Jamaican export, bauxite. Our ESF assistance would complement the Jamaican Government's strategy for recovery by providing foreign exchange to stimulate production, exports and employment.

We have also proposed for Jamaica small but important military assistance programs in the supplemental ($2.3 million) and in fiscal year 1984 ($4.2 million), primarily to replace obsolete equipment and provide essential military training.

For the Dominican Republic, we are seeking $10 million in ESF through the fiscal year 1983 supplemental and $94 million in economic assistance for fiscal year 1984, of which $40 million is in ESF. On the military side, we seek supplemental funding of $3.9 million and $5.8 million in fiscal year 1984.

The Dominican Republic has suffered severely from low world prices for its exports, such as sugar, cocoa, bauxite, gold, and nickel. Despite a tradition of prudent fiscal and monetary management, there are large deficits in the public sector and in the balance of payments, and high unemployment. The democratic government which took office last August has moved quickly and decisively to implement a program of economic stabilization and austerity, including higher taxes, reduced government spending and lower import levels. The IMF, in recognition and support of these efforts, has approved a three year stabilization program.

Our military assistance program will finance the purchase of light combat aircraft to replace World War II vintage P-15s and other items, and permit the continued training of Dominican officers in professional and technical areas.

Our proposal for Costa Rica requests ESF assistance of $35 million in the supplemental and an economic assistance package of $105 million in fiscal year 1984. We have also requested small MAP and IMET allocations in the supplemental and the fiscal year 1984 proposal. These military assistance allocations are in response to a request by President Monge during his visit last June and would continue programs begun in fiscal year 1981.

Costa Rica faces severe economic difficulties: hard currency shortages, high unemployment and inflation, and a breakdown in intra-regional trade. However, there have been encouraging financial developments in Costa Rica. The IMF has approved a standby agreement. The Government has reached agreement with the Paris Club on the rescheduling of official debt and is holding discussions which may lead to restructuring of private debt and new inflows of capital. But the nation's heavy debt burden will severely restrict the availability of foreign exchange and constrain growth for several years. Our $70 million ESF program for fiscal year 1984 will provide balance of payments assistance by financing imports of needed parts and raw materials to help the productive sector get back on its feet.

For Guatemala, we have proposed economic assistance of $6 million in the supplemental and almost $65 million for fiscal year 1984.

Guatemala's need for economic assistance has increased dramatically during the last two years as the country has been affected by the same factors as most of its neighbors, guerrilla insurgency, deteriorating terms of trade, and turmoil in international financial circles. The programs proposed are not large in relation to the country's size or needs, but serve as useful encouragement for continued improvements in human rights, as well as contributing both to national stabilization and the provision of basic human needs.

In fiscal year 1984, for the first time in many years, $10 million in FMS credit (plus a small IMET program) is requested for Guatemala. The funds proposed recognize that there have been human rights improvements under the Rios Montt administration, but further progress is needed. Our proposed assistance is based on our expectation, which we will confirm through continued monitoring, that such prog-

ress is being made. These funds would enhance the effectiveness of the Guatemalan armed forces in countering a Cuban-supported insurgency.

The island states of the Eastern Caribbean face not only a sharply adverse economic climate, but an increasingly uncertain security situation. We have requested economic assistance of $6 million in the supplemental and some $55 million in the fiscal year 1984 budget. The supplemental request will fund projects whose design is expected to be finished later this fiscal year, including assistance to the agricultural sector in St. Vincent and to a private sector development bank.

In addition, we have requested about $1.3 million in the supplemental and $3.3 million in fiscal year 1984 funds for military assistance to the eastern Caribbean. These nations have begun to develop their own regional defense capability and we must show our willingness to help by providing modest amounts of military assistance.

We have requested $56 million in economic assistance for Peru in fiscal year 1984, all of it development or Public Law 480 assistance. Our economic assistance is designed to support Peru's private sector expansion and agricultural development, as well as provide basic food needs. In addition, we have proposed $3 million in FMS credit in the supplemental and $25 million in FMS credit, plus a small IMET program, for fiscal year 1984, primarily to improve our military assistance relationship to democratic Peru and to permit it to diversify its sources of military supply.

For Columbia, we request FMS funds in the amount of $6 million in the supplemental and $12 million in fiscal year 1984, to maintain our traditional military assistance relationship with a democratic and friendly nation. These funds would be used for the purchase of transportation, communications and engineering equipment for use in civic action programs and other anti-guerrilla initiatives in rural areas. We have also requested a small IMET program to sustain our important military training relationship.

Elsewhere in the Andes, we are proposing in fiscal year 1984 for Bolivia a small IMET program and some $23 million in economic assistance, as a measure of our support for the democratic government which recently took office after 18 years of military rule. In Ecuador, we will continue to support the development efforts of the democratic government with about $12 million in fiscal year 1984 economic assistance. We also seek to maintain our military assistance program through a supplemental allocation of $3 million in fiscal year 1983 and a new allocation of about $7 million in fiscal year 1984.

IV. A REGIONAL DEMOCRATIC INSTITUTE

Let me now turn to a political initiative, one not included in the bilateral assistance request, but which could have an important multiplier effect on our ability to get the most out of our assistance.

President Reagan repeatedly emphasized U.S. support for democracy and respect for human rights during his trip to South and Central America.

Democratic neighbors are the best neighbors. They are more likely to live at peace with each other—the democratic idea, unlike authoritarian philosophies, cannot be imposed by force or repression. They are more likely to share our fundamental viewpoints. Democracy is the practice or direction of almost all of the countries of Latin America and the Caribbean.

Our interest in democracy is particularly strong in these times of political and economic crisis. Democratic governments are more flexible in adapting to changing internal and world circumstances because they have the authority of a mandate expressed freely by their people. And in Central America, where divisions are particularly deep, democratic procedures are ultimately the only means of bringing about national reconciliation.

For the President's Project Democracy, we have asked the Congress to fund concrete programs on behalf of regional democracy. One program in particular would support a regional institute for democracy to enable us to cooperate with democratic political parties and governments in developing leadership skills and mutual ties between democratic leaders of this generation and the next.

We have consulted with many Latin American political leaders and found them enthusiastic about the possibilities for cooperation in this area. We know that to be successful this venture must have a predominantly Latin American and Caribbean content to which our participation would add only a perspective, not a model. Many of our neighbors, after all, have their own rich and deep experience in democracy to draw upon. Our cooperation must involve in the very earliest stages the active, bipartisan participation of the democratic political parties, very much including our own, since they are the ones who daily engage in the art of democratic politics and

have first hand knowledge of the need to strengthen democratic leadership in practice. The idea for cooperation in developing political skills is not new. It has been widely supported here and elsewhere in the hemisphere for more than a decade. This kind of cooperation—right out in the open—was proposed in the Katzenbach study during the Johnson administration. With the support of Congress we propose now to put the idea into practice.

V. COMPLETING THE CBI

Finally, I wish to turn to a program which does not fit the usual definitions of assistance, but which opens new economic opportunties to the depressed nations of Central America and the Caribbean.

I am talking about the Caribbean Basin Initiative.

The Caribbean Basin is a region of key importance to the United States. As has been mentioned so many times in this testimony, the nations of Central America and the Caribbean are faced with economic stagnation or decline and, in some cases, present political or military threat by forces hostile not only to them, but also to us. Our security would be jeopardized by a string of hostile states on our so-called "Third Border." And our economy would suffer from a prolonged economic disruption there.

I am very pleased that the Congress passed the emergency aid portion of the CBI legislation last September. But we urgently need action on the longer-term elements of the program—the trade preferences and the tax incentives. The program as originally introduced was a comprehensive and mutually reinforcing set of measures, coordinated closely not only with beneficiary nations but also as part of an integrated international effort which included Mexico, Colombia, Venezuela, and Canada.

We have waited long enough. Now is the time to complete the beginning we made last year. As the President said on March 10, the trade and free initiative measures contained in the CBI are a vital complement to our assistance programs, for they help to assure that the fruits of assistance will be as productive as possible.

Senator HELMS [presiding]. Thank you, Mr. Secretary. I think the American people had better contemplate what it would cost them if we do nothing with respect to El Salvador, which is the key to whether Central America survives in terms of anticommunism.

Let's talk about money a little bit. Mr. Secretary, an estimated 10 to 12 million aliens from Central America can be expected to come over our borders if Central America does fall. But let me ask Dr. Ikle a question.

How much aid has Nicaragua, the Sandinistas, received from Cuba, Mexico, and others since 1979?

Dr. IKLE. Since the Sandinistas took over, we estimate that Nicaragua received, if I remember correctly, about $1.6 billion aid from non-Soviet sources, and another $400 million from the Soviet bloc either via Cuba or directly. The astonishing fact there is that there is $1.6 billion from Western sources, or essentially Western sources.

Senator HELMS. That is a total of $2 billion?

Dr. IKLE. That would make $2 billion.

Senator HELMS. Now, let's look at the other side of the coin. Guatemala, El Salvador, Honduras, Costa Rica. How much have all of these received during the same period?

Dr. IKLE. I do not have the numbers with me. Maybe Secretary Enders has the other Central American countries.

Mr. ENDERS. Why don't you go on and let me return to that.

Dr. IKLE. The comparison is very important.

Senator HELMS. My information is $600 million.

Dr. IKLE. We have incomplete numbers. The difficulty is in estimating these transfers from various sources, international organizations and so on. One estimate of the Department of Commerce, which does not capture all the transfers, shows in this period that

you mentioned, Mr. Chairman, for Costa Rica, $310 million; for El Salvador, $380 million; for Guatemala, about $400 million; for Honduras, close to $450 million. I am sorry, Mr. Chairman, this is aid to—right, that is correct. To Nicaragua would be $580 million. That is much less than the total I gave you.

Put differently, if you look at a subset of these transfers, those that are captured by the Department of Commerce statistics, we do, indeed, see that Nicaragua, next to Mexico and Panama, has received the largest transfers. That is to say, more than Costa Rica, El Salvador, Guatemala, and Belize. But we should give you a more complete tabulation of this for the record.

Senator HELMS. I wish you would, and I wish you would go beyond the dollar figures and give me the per capita comparisons.

Dr. IKLE. Indeed.

[The information referred to follows:]

FINANCIAL FLOWS BY THE WEST TO NICARAGUA AND CENTRAL AMERICA

[SUBMITTED BY THE DEPARTMENT OF DEFENSE]

The following chart based on data from the Geographical Distribution of Financial Flows to Developing Countries show the financial assistance provided by the West, including the multinational banks, OPEC countries, and Common Market countries, to Nicaragua and the other countries of Central America during the period 1979–1981. Only Panama exceeds Nicaragua in the amount of total financial assistance received from the West. On a per capita basis, the disparity is likewise skewed in favor of Nicaragua, with only Belize and Panama having higher per capita totals.

FINANCIAL ASSISTANCE BY WEST TO NICARAGUA AND CENTRAL AMERICA (1979–81)

Country	Population	1979 (millions)	1980 (millions)	1981 (millions)	Total (millions)	Total per capita
Nicaragua	2,643,000	$127.4	$243.1	$213.1	$583.6	$221
Belize	150,000	21.1	15.9	13.2	50.2	335
Costa Rica	2,396,000	97.6	111.7	101.1	310.4	130
El Salvador	4,617,000	79.3	117.2	185.1	381.6	83
Guatemala	7,537,000	119.2	157.0	123.2	399.4	53
Honduras	4,103,000	127.3	154.8	166.7	448.8	109
Panama	2,011,000	149.1	472.2	501.4	1,122.7	558

Source: Geographical Distribution of Financial Flows to Developing Countries (copyright 1983).

Senator HELMS. All right.

Mr. ENDERS. Mr. Chairman, could I make a remark on these figures?

Senator HELMS. Certainly.

Mr. ENDERS. However they come out they are very large for Nicaragua. They are very large also from the democratic countries, and there is a lesson to be drawn from that, because in spite of this massive effort for a small country of 2½ million people, that country has become progressively more Marxist-Leninist in character rather than moving toward a social democratic form of government.

In other words, the notion that you can somehow co-opt this kind of society by giving it aid and having political contact with it seems very clearly to have failed in this case. And, of course, those efforts include not only the United States, but all the leading democratic societies of the Western World. It has not worked.

Senator HELMS. Do you have any figures on Mexico; how much they have contributed?

Mr. ENDERS. They are substantial. You mean what Mexico has received itself?

Senator HELMS. I beg your pardon?

Mr. ENDERS. What Mexico has given to Nicaragua?

Senator HELMS. Yes.

Mr. ENDERS. It has been very substantial.

Senator HELMS. Do you have a figure?

Mr. ENDERS. We have a figure which is classified but which I will be glad to provide the committee, if I may.

Senator HELMS. Very well. That leads me to the question I was going to ask you, Secretary Enders. Does the United States give aid to Mexico?

Mr. ENDERS. Other than in an area of population in a few small areas, basically not.

Senator HELMS. Well, after Mexico nationalized its banks last August, I believe there was a transfer of U.S. funds to the Government of Mexico; was there not?

Mr. ENDERS. There was a substantial short-term bridge loan arranged by the United States and a number of other countries, which is now, if I am not mistaken, largely repaid. Certainly some of it has been repaid. There was an agreement to purchase petroleum for our strategic petroleum reserve in advance, but it was subject to discount and an interest rate, which made it a purely commercial transaction in that regard. So that I was reacting to the word "aid" as given.

These transactions which were designed to give the Mexican Government time to negotiate with the International Monetary Fund a stabilization program and loaned from the International Monetary Fund were not aid in the normal sense of the word, and they have been or are in the process of being repaid.

Senator HELMS. About $5 billion?

Mr. ENDERS. The total was $4.8 from the United States and other countries. Our total, if memory serves, was $3.4.

Senator HELMS. Now, a lot of U.S. banks are involved in that.

Mr. ENDERS. A very large number, I think some 1,400.

Senator HELMS. And the U.S. Government encouraged that participation by the U.S. banks, the private banks?

Mr. ENDERS. The U.S. banks have lent, along with the banks of other countries, have lent substantial sums to Mexico, without the encouragement of the U.S. Government. And we did not participate directly in the encouragement of the new loan which has been made, which is a $5 billion loan this year, from private sources.

Senator HELMS. But as a matter of fact, is it not true that the Treasury Department and the Fed in fact threatened many of the reluctant banks to participate with the alternative that their loans outstanding already to Mexico would not be repaid because of default? Is that not a fact?

Mr. ENDERS. Well, a negotiation occurred between Mexico and its creditors, Mr. Chairman, and in the course of that the Mexican banks obtained on their part the rescheduling, the banks and government, the rescheduling of moneys due last year, this year, and next year, and it was stretched out for a number of years against

commercial rates of interest, somewhat more than commerical rates of interest.

And that plus the new loans by the individual banks was a package which was negotiated between them. We were glad to see that this package was reached, because in circumstances of this kind we think that a failure to do so resulting in a default, resulting in the need to identify nonperforming loans at a very large scale within our own banking system on the one hand, and a disruption of the trade and payments of an important neighboring country on the other, would not be in the common interest.

But we did not threaten, either through the Fed or through the Treasury, in order to obtain the participation of American banks.

Senator HELMS. Well, in any case, just about a year before Mexico nationalized their banks Mexico joined with France in publishing a communique demanding a negotiated settlement in El Salvador. That is correct, is it not?

Mr. ENDERS. Yes. It did something more than that, really. It identified the guerrilla group as a representative political force that should enter into the government there. It was an extraordinary, I think unprecedented, action.

Senator HELMS. Let me finish the loop now. Would you say that Mexico supports the U.S. policy in El Salvador now?

Mr. ENDERS. No; I would not say that, Mr. Chairman. On the other hand, I do not expect that there will be a repetition of the action taken that you referred to in August 1981. The reaction to it in the hemisphere was unanimous and immediate. It was very negative. And, indeed, all Latin American countries other than Mexico signed a joint communique, a joint statement taking exception to the action. I do not think it is going to happen again.

Senator HELMS. I guess there are many puzzles within enigmas in this whole affair. I was in a discussion with Ambassador Brock about sugar quotas. Here we have Honduras, a good friend and ally, trying to help in any way they can, being slighted, I think, in terms of sugar quota. And what happens over in Nicaragua where the Sandinistas are causing all the trouble? We continue a very substantial sugar quota to them. So maybe we ought to unravel some of the snares in our own foreign policy.

Senator Pell.

Senator PELL. Thank you, Mr. Chairman.

I would defer whatever time he needs to the Senator from Ohio, who is under some pressure, and then I will return to my statement afterward, out of my 10 minutes, naturally.

Senator GLENN. I thank Senator Pell very much, because I do have another meeting that I have to go to, and so I appreciate this very much.

I do have a short statement, and thank you, Mr. Chairman. Like most Americans, I am concerned about the war in El Salvador and fearful of Cuban and Soviet Marxism spreading its influence among our neighbors to the south. And no one, certainly not me, wants to see regimes antagonistic to our interests come to power in Central America.

We do have reason to be alarmed about events in Nicaragua and Cuba's attempts to destabilize governments in the region friendly to the United States. I also recognize there must be efforts to bol-

ster the economy of El Salvador and improve the capability of its army.

Historically, Communist subversion succeeds best in nations destabilized by war, poverty and social injustice. Land reform and other economic reform measures encourage allegiance to the government. The insurgents find few friends among peasants and workers who have hopes for a better life and just want to live free of war and intimidation. A guerrilla army denied support from the people cannot hope to survive very long, even with outside help, against an efficient and well-trained local force.

Appropriate amounts and types of U.S. aid can help create these economic and military conditions. We must do what we can to promote positive development and discourage instability.

The President's answer, an AID program totaling some $642.6 million for fiscal 1983 and 1984 for El Salvador, provides $419.9 million in economic assistance and $222.7 million in military aid. He notes in defending his request that the military situation is not good. His prescription is more military training, which costs money. On the economic side, he indicates that with U.S. aid, "we expect the steady progress toward more equitable distribution of wealth and power in El Salvador to continue."

Now, in principle I do not fault the President's program. No one denies that El Salvador needs our military and economic assistance. But the levels of aid seem more influenced by administration hype and rhetoric than a careful assessment of actual conditions on the ground. An orchestrated chorus of voices makes it appear as if El Salvador will fall to the guerrillas momentarily unless we approve the requested amount of military aid.

Yet nobody I know predicts that the guerrillas can defeat the government troops even if the level of assistance stays about the same, and nobody certainly claims that the $223 million requested would allow the Salvadoran Army to in turn crush the guerrillas.

Moreover, since our Government does little to assess the value of and actual impact of our economic aid on El Salvador—and I would say, through several administrations we have done less with our aid program as far as assessing it around the world than I think we should—it is anyone's guess whether the $400 million plus is an appropriate amount under the circumstances. The reasoning seems to have been, things are getting worse, so let us send more money.

In both cases I will certainly study the justifications you offer. I think we need to better spell out details, and I do not think Congress is going to just buy a pig in a poke unless there are a great deal more specifics put to it than have been in the media so far.

I will support efforts to cut back on the totals you have requested unless we have much more justification that we have seen so far and much more details about what the money is supposed to do.

Having said that, let me now turn to the aspect of your program that worries me the most, the administration's much-publicized view that the single greatest threat facing El Salvador today is a Marxist insurgency and an insurgency that is successful would spread like cancer throughout Central America. And to underscore the danger, there has even been talk of Mexico falling like a domino and the United States defending its southern borders at great cost in treasure and lost opportunity.

I cannot think of anything that does more damage to our Mexican relations right now than to come out with a lot of statements like that, that we think it is imminent that if something unforeseen perhaps happens in El Salvador, that we think Mexico is weak enough that they are just about to go down the tube and we would wind up with our troops along our southern border. And yet those have been the public statements.

Such misrepresentations and scare tactics may help get this aid package through Congress, but it is bad policy and I think it is dangerous to boot. Even worse, you may begin to believe what you say and I will not even attempt to guess where that will leave the country.

First, the guerrillas are not on the verge of a military victory. The best they can hope for now and in the foreseeable future is a stalemate. A large majority of the Salvadoran people continue to oppose the insurgents and remain loyal to the government. Over time our assistance will improve military and economic conditions and the army's ability to cope with the military threat.

Second, many Salvadoran civilian and military leaders acknowledge that the country's ultra-right groups pose at least an equal if not a greater threat to democracy in El Salvador today than do the guerrillas. Civilian death squads and sometimes even government forces terrorize the populace to perpetuate social injustice. The killing of innocent campesinos, opposition politicians, and visiting and resident foreigners has become all routine and commonplace.

Ultra-rightists oppose any social, political, and economic reforms, believing that it undermines their stranglehold on power. Gangland style executions await any who oppose their view.

Moreover, it is not enough to say that, "Despite incredible obstacles, the democratic center is holding in El Salvador, implementing land reform and working to replace the politics of death with the life of democracy." Over the years, the extremists of both the left and right—of both the left and right—have systematically attempted to destroy the centrist elements in the society, and today the center is small and weak.

Without our encouragement and help, these elements will fail in their struggle to bring moderation and stability to El Salvador. Military and economic assistance alone will not solve the problem. They merely paper over the corrupt and violent aspects of life in El Salvador without ending the ultra-right terrorism, as well as the left.

Unless we deal with this problem head on and now, no amount of U.S. assistance will achieve our objectives. Senator Dodd very aptly stated, "It would be like putting money down a rathole." And I agree.

President Reagan urged that, "Thousands upon thousands of Salvadorans who risked their lives to vote last year should not have their ballots thrown into the trash heap this year by letting a tiny minority on the fringe of a wide spectrum shoot its way into power." I concur if by this he meant to include both the leftist guerrillas and the thugs of the ultra-right. To do otherwise in my view is shortsighted and wrongheaded.

Unfortunately, I can find nothing in the administration's request, so far at least, that goes to the source of the problem. There-

fore, I intend to introduce an amendment that conditions our military assistance to El Salvador pending the demonstration of a good faith effort to also eradicate the terrorism of death squads on the ultra-right.

My amendment would require the Salvadorans to produce a plan, certified as satisfactory by the President, to reform the security forces, disarm private armies and paramilitary groups, and end the violence practiced by the death squads. It would also require the executive branch to report to the Congress every 6 months on the progress achieved in implementing the plan.

If the Government of El Salvador is not prepared to make this effort, it does not in my opinion deserve this help. We should do our part to promote peace and stability in that nation, but only if and as long as the Government of El Salvador demonstrates that it will do what it must to bring true democracy to its people.

And I hope my colleagues will support such an amendment after it is submitted.

Once again, I thank the distinguished Senator from Rhode Island for granting me his time period. Thank you.

Senator PELL. Thank you.

I still have a minute or two to go, and I think we ought to bring this into perspective, Mr. Chairman. What we are talking about here is a country about the size of Massachusetts, a country about the same size, about the same population. And in this small area we have already put a great deal of aid, as the Senator from Ohio has pointed out. And more to the point, El Salvador is presently the recipient ranking sixth in the world of the countries to which we have given all types of economic and military assistance.

My own view is that the adminstration by proposing additional military assistance, by indicating that American advisers may play a more active, and obviously a then more dangerous, role in that conflict, and by refusing—and this is the point I think is most important—by refusing to support meaningful negotiations with the guerrillas, is obviously heading into what I would call a senseless search for a military solution.

Therefore, I am skeptical of these proposals. If these proposals are tied into a negotiation, or a requirement for negotiation, and if they are reduced in size and scope, they might have a more sympathetic audience.

I do congratulate the administration, though, on its willingness to exchange ideas over these past weeks.

My time has expired.

Senator HELMS. Thank you, Senator Pell.

Senator KASSEBAUM. We have a vote on, but it has just started.

Secretary Enders, I think all of us share a deep concern about Central America and particularly El Salvador, as we have watched it in this year's time since last year's elections. I recall the great hopes that we had then. I am still searching for an answer, and I think that, while I share with the administration their concerns about the stability of El Salvador, I would like to ask you a couple of questions that might help to clarify my own thinking.

Do you believe that in the last couple of months the guerrillas have become that much stronger that El Salvador is indeed on the verge of collapse? What has brought us to that sort of rhetoric?

Mr. ENDERS. I believe that the insurgents have had the initiative most of the time since October, that that has enabled them to capture small towns and in one case a medium-sized town, but not to hold them. It has enabled them to extend somewhat their area of operations, but not to dominate territory for a long period of time.

But clearly, an extension of a situation in which the insurgents have the initiative in the future is worrisome. It gives rise to questions about the future of the country. It is particularly worrisome when it is set in context with the numbers for military assistance, $25 million, that came out of the continuing resolution, and which compares with the $80 million last year and the $85 million requested for 1984.

So what you have here as regards El Salvador is a proposal that through reprograming we obtain the level of resources of last year and proposed for next year, but that we make an additional investment to make sure, not that the people in the government forces can crush the insurgents, but that they can gain the initiative.

Senator KASSEBAUM. Mr. Secretary, what concerns me is I do not think it is just a question of the money. I am just wondering if the initiative that the insurgents have gained is due to their strength or is it due to the weakness of the government at this particular point in time in El Salvador? I really have to wonder whether we give them $2 million or $200 million is the answer. It is really going beyond.

I would have to say in response to Senator Glenn, I do not think further entanglements on certification are the answer either.

Mr. ENDERS. Nor do I.

Senator KASSEBAUM. But I think those of us who are searching for an answer question whether it is the amount of money, it is how it is going to be used and the effectiveness of that use that is the key.

In an emphasis on trying to find a reasonable solution, which we have talked about, and which the El Salvadorans have talked about as well, I wonder if we could require some regional participation and a tangible contribution to El Salvador.

The other areas in the region are quite poor as well. But there could be in-kind service such as medical assistance, teachers that could be counted as a participation in relationship to what we give as well.

It seems to me that we have to find some means to draw others into this process. Do you see that as perhaps a workable suggestion?

Dr. IKLE. Let me give you a two-pronged answer on the military side.

Senator KASSEBAUM. I have to talk in a hurry because I have to go and I cannot get back.

Dr. IKLE. This is why we desire, the administration desires, to do more training of the Salvadoran soldier. We had very good results with the training we were able to do. Now, training costs money, and indeed, you are absolutely right, you need a combination of the skills, proper tactics, and the supplies, both of which cost money, the training and the supplies.

Also, still on the military side, other nations, particularly those nearby, have given a certain amount of assistance. Honduras has

tried to protect the sovereignty of its own territory with its own limited military means so that Honduras would not be used as a road from Nicaragua to El Salvador to supply the insurgents.

So in that sense, Honduras has contributed to the effort in El Salvador. Secretary Enders may want to add to the diplomatic and economic cooperation.

Senator KASSEBAUM. You mean you are counting that as a tangible contribution to assistance to El Salvador?

Dr. IKLE. The effort made by Honduras, not to permit or to try to inhibit at least the use of its territory for supplying the insurgents in El Salvador, sure, is a contribution.

Senator KASSEBAUM. If, as believed, El Salvador falls, no country in Central America will be safe, I should think it would be to the interests of the other countries in the region, including Mexico, to participate in some tangible ways that——

Mr. ENDERS. Well, Mexico does participate, as you know, in providing the oil facility along with Venezuela for El Salvador. And Venezuela and a number of South American countries have provided economic assistance, rather substantial amounts which we would be glad to tell you about in detail, as well as provided assistance in such things as publicity, psychological operations, and things of that nature. So there are others who indeed have assisted. As you will recall, during the elections when you were down there, a number of other countries were helping too as election observers and helped in the preparation of the elections.

I think that more of that can be done. I question a little bit whether it makes sense to have some sort of mathematical ratio in there.

Senator KASSEBAUM. Well, otherwise, it is really hard to know where everybody is at. I do not know how you weigh psychological assistance particularly. But I think it would help perhaps with the structuring. Of course, other nations have made a contribution but——

Mr. ENDERS. What I might comment in this regard, too, some countries have preferred to give assistance without necessarily making public statements about what they are doing. So that there is a difference often in what you see and what may be happening in the situation.

Senator KASSEBAUM. It might be useful to know, indeed, though, what some are doing.

Mr. ENDERS. I would be glad to provide that information. I think you would be pleased.

Senator KASSEBAUM. It is the public understanding again, too. I think if the other nations in the region are affected, how much their participation is evident and active there.

Going back to the military training, because there certainly were those who believe that the troops that received training in the United States last year did perform well, but there has also, of course, been criticism that a lot of advice that was given was not heeded and that many of the same sweeping tactics that have not proved successful were continued to be used. And then, of course, the question of just the divisions within the armed services themselves have to cause some concern.

Dr. IKLE. You are right, Senator, and that is one reason we want to expand the training somewhat. Only a small percentage has been trained. I visited down there last October and saw how the people trained here performed, and the results seemed to be very good.

In addition, we are considering, as the President stated, whether some few additional advisers to the 37 to 50 who are down there now might help to achieve precisely what you suggest: To encourage the Salvadoran military through our advice to use the best and most effective tactics.

Senator KASSEBAUM. Just one last brief question. We trained some officers, of course.

Dr. IKLE. Yes.

Senator KASSEBAUM. And do those officers, in turn, work with expanding training of their own military structure there? I mean has that not been an exponential growth from the training that the officers received here?

Dr. IKLE. Indeed, we are training or have given training to the battallion and the cadets who are now back in El Salvador, and we have done this in this country. But we are proposing to do more training, depending on the moneys available. The more expensive way would be in the United States; the cheaper way would be in El Salvador. But we would in some sense prefer to do part of it in the United States.

And then, of course, we have the trainers that I referred to, the 37 to 50 trainers in El Salvador who work with elements of the Salvadoran Armed Forces and train them in proper tactics. And that, in turn, then will multiply throughout the forces.

Senator KASSEBAUM. Senator Biden.

Senator BIDEN. Thank you.

We have about 4 minutes to make the vote. Let me ask one question. We drew the line on communism 2 years ago. We were told how much money would be needed. We were told how much was coming in from the outside. Both as a member of the Intelligence Committee, Secretary Enders, you briefed me, and in this committee I have had the benefit of the briefing. What went wrong?

Mr. ENDERS. The effort has been sustained from the outside.

Senator BIDEN. Are you telling me there has been a qualitative or quantitative increase in the arms coming in?

Mr. ENDERS. I would describe the profile this way, is that prior to the final offensive, which was in January 1981, there was a big buildup. It was radically lower in 1981. There was a big buildup prior to the elections because there was a major attempt, as Senator Kassebaum knows from direct experience, to stop the election. And since that time, it has not gone down to any appreciable degree.

Senator BIDEN. Let me put it another way, in the interest of time. Has the El Salvadoran Army got more in quantity and quality from us than the guerrillas have gotten from all common sources?

Mr. ENDERS. I think with that question, which would be normal in this kind of struggle—and the struggle is not so much directed by the guerrilla to the Salvadoran military units but directed against the economy—and the tactics, Senator Biden, as you well

know from the examples of this kind of war elsewhere, the idea is to destroy enough bridges and highways and crops to create a general sense of demoralization and discredit the government. So you have to have a large number of troops in fixed positions in order to protect that. And you are inherently on the reactive side in this kind of war.

Our purpose in emphasizing the kind of very intensive training that we hope to do is to encourage our friends to get out on the offensive against the units. And that is what you can do in this sort of war, but it is not surprising that it costs the guerrillas a lot less than the government.

Senator BIDEN. It seems to me what you are suggesting then is the efforts in Honduras in interdiction have not been all that successful.

Mr. ENDERS. Some routes have been interdicted. Many of the crossland routes in Honduras and some of the sea routes. But air, sea, and land still goes on with emphasis on air.

Senator BIDEN. I will be back. I have to go vote.

Thank you, Mr. Chairman.

Senator HELMS. It is times like this when you think you have listened to the gap in the tape.

If I may, Secretary Enders, let's go back to Mexico. How many illegal aliens have come into the United States from Mexico per year?

Mr. ENDERS. We do not know the answer to that question, Mr. Chairman. We do know how many are apprehended at the borders. Of course, that is not the number of those who come through. The rate of apprehension is now running in excess of 1 million. The Department of Justice Immigration and Naturalization Service have tended to zero in on estimates of 2 to 4 million as the number of undocumented aliens in this country, many of whom are from Mexico. So it is an uncertain but very substantial phenomenon.

Senator HELMS. Would your answer be the same with respect to how many occurred after nationalization in Mexico and, you know, the economic situation worsening?

Mr. ENDERS. Right. Since the start of serious economic trouble in Mexico in the middle of last year, the number of apprehensions on the border has increased, suggesting that the flow is in fact substantially higher. For example, the number of apprehensions at the moment is running about 50 percent above last year.

Senator HELMS. How closely does Mexico cooperate in trying to control the flow of illegal aliens?

Mr. ENDERS. Under the Mexican Constitution, Mexico has taken the view that it cannot prohibit or attempt to impede the movements of persons, Mexican citizens, from their country.

Senator HELMS. So they are not cooperating.

Mr. ENDERS. They do not, however, they do not challenge in any way the right of the United States in exercising its sovereignty to control who comes into this country. So that in fact our relations with Mexican authorities on the border work really quite well.

Senator HELMS. I know you cannot answer this question with precision. But how many illegal aliens from Mexico are there now in the United States?

Mr. ENDERS. Well, as I say, I think the bulk of the 2 to 4 million estimated illegal aliens in this country are probably of Mexican origin.

Senator HELMS. 2 to 4 million.

Mr. ENDERS. That is the figure commonly used.

Dr. IKLE. There is an estimate, Senator, from a much smaller country that we talked about, El Salvador, who are in this country. And while it is a rough estimate, it indicates that between 300,000 and half a million from that small country, from El Salvador, are now in the United States, have moved here recently in the last few years.

Mr. ENDERS. Could I qualify that by saying in the last 20 years. There was a very substantial movement prior to the conflict.

Dr. IKLE. Right.

Senator HELMS. Is it fair to assume that a substantial percentage of these illegal aliens are sending U.S. dollars back home?

Mr. ENDERS. We have never been able to document that. In the case of Mexico, for example, the Mexican authorities think it is not really a large phenomenon. Our Federal Reserve people think it is not really a large phenomenon. But that seems strange, because usually nondocumented workers in other countries do send large sums back. Frankly, we do not really know.

Senator HELMS. Well, I guess everybody can fashion his own estimates. But in any case, it is absolutely certain that to the extent these people are employed, they are filling jobs that are not being filled by Americans. Is that right?

Mr. ENDERS. There has been a great deal of argument about that too. But I think that there is because many people assert that these people take jobs that Americans are not prepared to do or work at salaries that Americans are not prepared or permitted under law to receive. But there is clearly some overlap.

And I think it would be fair to say that there is a consensus that the problem of illegal migration is out of control and must be brought back into control. And the efforts which are again starting in this body and in the House to do so are very important in that context.

Senator HELMS. I notice Senator Glenn made some reference to the statements that have been made that might offend Mexico. But Mexico did not care very much about the statement it joined France in making about the United States.

In any case, though, we need to lay out and see what we are talking about. Is it not a fair assumption, based on what you have said, that Mexico is glad to get rid of these people, for whom there are no jobs available in Mexico, that Mexico is glad to see them come over the border into the United States?

Mr. ENDERS. The Mexican Government is careful in making statements of that kind. It has been widely assumed that the presence of economic opportunities in the United States has been in fact an advantage to Mexico and when they have addressed that, the Mexican authorities have never denied that. But this is a subject on which they speak with discretion.

Senator HELMS. I commend you on your diplomatic answer, Mr. Secretary.

Mrs. Kirkpatrick, our distinguished Ambassador to the United Nations, commented a week or so back that perhaps we should consider gauging our foreign aid a little more closely to the votes which the various countries cast in the United Nations. I do not know whether you have seen the list or not, the list cooperating with the United States.

Would you say that Mexico's votes in the United Nations are more in line with U.S. policy than, say, the votes of El Salvador?

Mr. ENDERS. I think you would find not the same overlap as you would for most of the Central American countries. There you would find in fact a very substantial level of support other than, of course, on behalf of Nicaragua.

Senator HELMS. It is a fact in the United Nations they tend—and this is one fault I find with the United Nations—the countries tend not to vote on issues but in blocks. They do not care what the issues are, which in my judgment defeats the purpose of the United Nations.

But I guess what I am saying is that I think we have some things to discuss with Mexico in a friendly sort of way, in a neighborly way. But this Senator does not perceive Mexico as all that interested in a relationship with the United States that is meaningful to both sides.

Now, is it not true that guerrillas are being harbored on the southern border of Mexico who operate in Guatemala?

Mr. ENDERS. There is a Guatemala refugee population in Mexico of about 30,000. It is apparent from the statements and allegations that many in this population have made, that their sympathies tend to the side of the guerrillas. Allegations have been made that armed guerrillas have moved across the border, but I am not in a position to substantiate that. And the Mexican Government denies that. The Mexican Government expresses substantial desire to have these people relocated back into Guatemala. And I think that that would be in fact in everybody's interest.

I would like, if I could, to say one further word. You talked about relations with Mexico, Mr. Chairman. Now, this administration under the leadership of President Reagan has made a very substantial effort to develop and improve relations with Mexico, thinking that that is essential for both Mexicans and ourselves, that we support each other as best we can.

We have talked a great deal about Central America and, as you know, have not agreed. But we have talked a great deal about our bilateral relationships. And we have been able to promote and develop them in a way that we think is helpful to both nations. So we do think we have a lot to give each other. If we could find a way to support each other in Central America, it would be a lot better, I agree with you.

Senator HELMS. Well, the best way to have a mutual relationship is to make it a two-way street. The United States has not been slow in sending aid when their banks were about to collapse down there, and in other ways. But even on drugs, even on the massive shipment of drugs across the border, my information is that Mexico never works up a sweat to try to stop that.

Mr. ENDERS. My information is not the same, Mr. Chairman. The Mexican Government made a very substantial effort to eradicate

poppy production, as you know, in the course of the 1970's, a very successful effort. It is one of the few eradication programs that has really worked. And I would not classify Mexico high on the list of drug problems, by any means at all. I think they have been very vigorous in pursuing this in their own self-interest as well as in our interest, but with good cooperation from us.

Senator HELMS. Very well.

Senator Pressler.

Senator PRESSLER. Thank you very much.

Let me say I fully appreciate the quandry we are in. As I listened to Secretary Weinberger yesterday on Face the Nation, I wanted to ask him a question that I will ask you. First of all, if—and I believe it is true—it is the general feeling of the administration that El Salvador is strategically vital to the United States, then I must wonder what is the optimum requirement in aid and military involvement?

Let's say, just imagine that Congress appropriated an unlimited amount for economic and military aid, and let's say that we could send an unlimited number of advisers or troops there. If El Salvador is a strategic ally and as important as Mr. Weinberger was saying, why are we not doing more, or why are you not advocating more? What is the optimal assistance and aid level? What would it take to turn the situation around in El Salvador? How much would it take? Let's say, Congress would go along with any amount of money for advisers. What would you be recommending?

Dr. IKLE. Senator, it is always difficult to predict with precision this kind of warfare. El Salvador is vital, in part, because the process in Central America is vital, not just because of that country. And to turn the process around so that democracy can be protected and the democratic process can flourish would require continuing efforts—economic, political, and military.

Now, directed to your question, how much one would want if resources were less constrained for the military effort, probably not much more in terms of people and not much more in terms of trainers in the country, because it is best, as the President said, for the Salvadorans themselves to restore tranquility and the right conditions in their country.

If resources were less constrained, additional equipment might help in stemming the inflow from Nicaragua. Some additional equipment and supplies might help the medical situation both with the population in general and those who are fighting in the armed forces.

As we indicated, clearly we would like to step up the training so that a larger percentage of the Salvadoran forces can be trained. But we think the program we have proposed can really make a difference. That is not to say that within 1 year everything will be absolutely settled so that you need no further economic assistance, no further military effort, no further political effort.

But the program proposed would bring us over the threshold so that the guerrillas can be pushed back and the process for the election can be properly protected. We have detailed proposals for the kind of equipment, the kind of training that is envisaged with the moneys that we have asked Congress to approve. And we would be pleased to pass these on to you.

Senator PRESSLER. I know, of course, that there are a lot of internal factors that we cannot control. But as I understnd it, in the Vietnam conflict Ambassador Komer at the time had a plan on what had to be done to win the war. And he may have been right, as certain things had to happen in the hamlets: Agricultural improvements had to occur so there would be food and some prosperity; and, land reform could have been instituted. As I understand it, there was a plan, with certain units to have so much equipment for implementing this program.

Now, we hear a lot about El Salvador. Is there an optimal solution? Is there a plan we are not carrying out because of Congress' reluctance or the American people's reluctance. You have mentioned some additional equipment, but are there other things we could be doing, if, let's say, Congress were to give a complete blank check—which it probably would not do?

Dr. IKLE. The important thing is to look at the region as a whole, as I indicated in my opening statement, the whole region, that we have to focus on from the point of view of the security of our fourth border. And it is for that reason that the proposal includes economic and some military assistance to other Central American countries, economic assistance in the Caribbean.

I think Secretary Enders would like to add to this.

Mr. ENDERS. Could I make a couple of comments? One is—and I think Secretary Weinberger said this yesterday on television—that we are interested, are we not, in handling the problem at the lowest possible level of involvement, at the lowest possible level of violence. So therefore, these proposals are designed as a part of a larger strategy with emphasis on the political and economic elements and not designed to produce a military rather than ultimately a political victory.

It seems to me the second thing, and that if you had your wishes, what more would you like to do, well, I would like to do some more economic assistance for El Salvador because even with these increased numbers that are being proposed by the President, we will still fall short of the level at which the gross national product of the country can be maintained in the face of the damage being done by the guerrillas. It is already down 25 percent from 3 years ago, and it will go down further this year.

But I think the feeling is that we must live within the budget to the extent that we can. It is being done mostly by reprograming; and therefore, that the Salvadorans must bear part of this additional burden too to us. So these are limited proposals but designed as part of a strategy that emphasizes the political and economic elements there and in the region, as Mr. Ikle says.

Senator PRESSLER. The thrust of my question is that if we enlarge this program then it must be in terms of our strategic interests which if it fails, we will be in a very difficult position. Though you cannot be responsible for what Secretary Weinberger said yesterday, as I understood his definition of the problem, he really felt that this situation is basic to our strategic interests. And if you follow that through, perhaps the administration should be proposing much more than it is, rather than trying to keep this at the lowest level possible.

I am not advocating such an approach. But I do think that we need to know if there is an ultimate plan for winning that the administration believes we should finance or that could be carried out. Are you restraining yourself in anticipation that Congress will not go along, is there a better solution?

Mr. ENDERS. Well, in the past, we either neglected Central America or when things went bad, we sent in the troops. We had the troops in Nicaragua for roughly 30 years at the start of the century in two periods. And I think the President has been quite clear that he does not intend to do that. At the present time we are trying to avoid either extreme: either the neglect which was wrong; or the sudden intervention, which many people think had long-term damaging consequences to the area and to us. We think we can do it.

Dr. IKLE. Senator, you also have to adjust, or course, to changing threats and circumstances. As I mentioned, Soviet deliveries to Cuba have increased. Now, Secretary Enders referred to the risk that modern aircraft might be introduced in Nicaragua, and that would create an entirely new situation that we would have to confront.

We hope the threat and the intervention will not be increased. But we have to keep that in mind as we try to project what might be needed. As of now, our emphasis is, as we mentioned, on training and also on civic action, which will, in turn, help the economic development of these nations.

And again, for the economic development, which Secretary Enders stressed so properly, the amount of assistance needed would, in part, depend upon economic recovery in these raw materials that the countries export. So you cannot give a firm prediction of precisely what would be needed a year hence.

Senator PRESSLER. Has the Government in El Salvador been fully cooperative in the land reform programs? Have they been moving forward on the social reform programs as much as we would like? Have we been prodding them? And what has their response been, especially on the land reform programs?

Mr. ENDERS. Well, now you are going to get me in trouble with Senator Helms on the land reform. You recall debating that in this room last summer. In fact, we had some very strong remonstrances, I think, from Senator Dodd on this subject.

And the land reform has in fact moved very well since that time. It is moving now at a rate that is faster than it ever has. That is to say that part of the land reform which is concerned with the small plots, the ones that are either rented or sharecropped by individuals.

And to give you some idea of how fast that is moving, that in the course of 1983 some 135,000 acres were petitioned for this process, and that already in 1983 another 155,000 acres have been petitioned for. And the reform has been extended for another 10 months. I think it is possible that the reform will be completed in that period. It has been moving well.

Senator PRESSLER. I have a red light, so I will save the rest of my question.

Senator HELMS. The Chair notes apologetically to Senator Dodd that there has been so much coming and going that I am afraid we got out of kilter on this. I scarcely know how to proceed. Senator

Biden has at least some time on his first round, and if that is satisfactory to Senator Dodd, we will then give you extended time to catch up.

Senator DODD. No need to apologize.

Senator HELMS. It is kind of hard with everybody running hither and yon. Senator Biden.

Senator BIDEN. Thank you, Mr. Chairman.

Thanks, Chris.

I had asked two questions before I left. I would like to followup, and I really only have about 5 minutes left.

Gentlemen, as they say in the chase movies, what we have got here is a lack of communications. We have got ourselves a problem. And some of us on this committee, many of us, do not like either of the only two alternatives being offered. One alternative being offered is that we just do not vote for any military aid. And the other alternative that is likely to be offered is a test of some sort of certification process and I do not quite know what this does at this point. And that other option would have us go along and buy on the program. Neither of which I like.

And it seems to me that in a sense you have become your own worst enemy with all the rhetoric about it. It is not El Salvador itself that reminds people of Vietnam, it is what you are saying that reminds people of Vietnam. It is talking about, "we are going to have an Eastern Europe in Latin America, and we are going to have the dominos falling."

Even if it is all true, I would have thought you could have come up with something different. And I am not being facetious. I am being really serious. I really mean it sincerely. I just think that reaching back in that old kit bag, that at least my generation spent at least 13 years living through, is not something that emboldens one to want to support you.

And on the other hand, there are some contradictions. We want the human rights situation to be better in El Salvador. Well, better military training, I would argue, would enhance that prospect, increase the prospect that the military would act responsibly. I would like to see that change.

The missing ingredient seems to be what do you do after you win? What do you do after, through the military training and effort, you get to the point that the El Salvador military is competent and capable of "defeating the guerrillas"? Do you think they are going to go away?

What happens to that whole center left of El Salvador? Why is there not any plan for any type of negotiation anywhere in the future of El Salvador?

Mr. ENDERS. I guess we have not been communicating, Senator, then on this. The President emphasized this point last Thursday when he spoke. And he addressed the negotiation issue overall. He welcomed the call that President Magana has made, which is now been enacted by the Constituent Assembly, President D'Aubuisson, for all to participate. D'Aubuisson was specific. He wanted the FDR, the main political element of the guerrilla movement, to participate. The Peace Commission has been set up with its independent membership precisely to facilitate that.

Senator BIDEN. Participate in negotiations or in elections?

Mr. ENDERS. In elections.

Senator BIDEN. That is not negotiations.

Mr. ENDERS. The President said he was in favor of negotiations within countries in order to assure full participation in election. And that is what the Peace Commission is charged to do.

Obviously, there are a large number of issues that have to be faced in order for the center left or center right or any element of the political structure to participate effectively in the democratic process: Would the votes be counted with probity? How would their persons be protected? Would they have access to media for campaigning? What would the assurance be they would receive fair participation on the basis of votes received? A large number of issues of that kind which would have to be based—what Mr. Reagan was saying is that he is in favor of negotiations with that objective.

Senator BIDEN. Well, I think we get too hung up on elections. They had Duarte in place. He insisted upon elections, knowing full well or most probably that the center right coalition would end up controlling it. At least there was at least a 50-50 shot it would happen. Now the El Salvador Constituent Assembly is calling for Presidential elections.

But I cannot possibly fathom how they are going to produce anything but a center right outcome unless we are prepared—are we prepared to go in and guarantee the safety of all parties, including the leftists?

Mr. ENDERS. Well, you know, you are getting at some fundamental points that I think are worth talking about. Basically, what we are trying to do with our assistance is not to form a coalition that is either center right or center left or center. In other words, we are not—from our point of view, our objective is not to have a certain configuration that comes out of there. There is a very strong right in El Salvador.

Senator BIDEN. Let me stop you there. I thought our objective was that.

Mr. ENDERS. Let me just carry it a step further. There is a very strong right. There are center and center left elements which are essentially Christian Democrat, and there are elements not without strength but not certainly very numerically very large on the left. The question is how do you get them all to compete for power through political means rather than through violence? Because we have seen that over the last several years they have competed for power with violence.

And the basic structure that we hope to get set up is, one, an institutional structure, a democratic one in which you substitute political means for that. The right is not going to go away. I do not think the left is going to go away, although I do not think it is as numerically as important as the right or the center.

How do you get them all in the same system? That is the question we are asking ourselves. That is the outcome.

Senator BIDEN. You are asking yourself the question, but with all due respect, I do not think you are coming up with a very good answer. You suggest that in fact you do not want to have a certain kind of government. I thought the only one objective you had was to prevent El Salvador from becoming "a Communist-controlled

Marxist-Communist puppet state" that would in fact, you know, start the dominos falling. Is that the only objective you have?

Mr. ENDERS. That is an unacceptable outcome, but it is not the only objective.

Senator BIDEN. I would settle for that one now. Wouldn't you?

Mr. ENDERS. Yes. But what we want——

Senator BIDEN. Why get greedy?

Mr. ENDERS. Because we think that only a democratic system will ultimately be proved to be stable and self-sufficient.

Senator BIDEN. Why do we think in the short term?

Mr. ENDERS. And just preventing it from becoming a Communist country is not enough because otherwise you will be stuck with it for a long time.

Senator BIDEN. I really think that my time is up. But I just think you are not very realistic about what you can accomplish. What makes us think we are going to somehow imbed in that not so fertile land deep democratic roots in a matter of 4, 6, 8, 10 years, even a decade? Why do we insist upon the notion that we are going to carry to our less benefited brethren a democracy that is going to take root?

Mr. ENDERS. Because that is why the society fell apart in the first place and what gave the Communists their opportunity, because they had had a military government for 50 years, one that was illegitimate and not accepted by the people. Then in fact it was little supported popularly. It was overthrown 3 years ago, and what was the result, Senator, was anarchy. And it started on the left and it went to the right, and everybody was fighting everybody else.

Our purpose is to try to end that anarchy as well as end the leftist insurgency, and I think that is why we found some common ground on this up here is that we have been against human rights abuses from all sides. It has been regarded as a major objective for our policy. We are not backing off that.

Senator BIDEN. My time is up.

Senator HELMS. Senator Dodd.

Senator DODD. Thank you, Mr. Chairman. Thank you, Mr. Secretary, for coming by. First of all, I want to thank Chairman Percy of the committee. He had a request that Mrs. Kassebaum and I—we had asked for a separate hearing on the reprograming request, and that will occur on Thursday, I am told.

Senator PELL. Excuse me, the date I think has not been decided. The agreement to hold the hearing——

Senator DODD. Thursday, March 17.

Senator PELL. I do not think the date is in concrete.

Senator DODD. The committee memo I have says Thursday, March 17.

Senator PELL. That is fine.

Senator DODD. At which time, I assume we will probably have a vote on the reprograming request.

Let me, if I can, Mr. Ambassador, try to get to some of the root differences and distinctions. First of all, let me just ask you about the recent reports in the Washington Post and the New York Times raising questions about the actual sources of the guerrilla's arms. Sometimes when we say something often enough, whether or

not it is entirely accurate, it has a way of gaining a certain amount of credibility on its own simply because it is mentioned enough.

Now, in the Washington Post, Chris Dickey's article of February 21 quotes several U.S military officers, diplomats, and others as suggesting that the amount of arms coming from Nicaragua by way of Cuba is relatively small. In fact, quoting one U.S. official, he said it is very possible Nicaragua is not feeding anything but peanuts into El Salvador. And similar quotes on down the line.

And yet repeatedly over the past week and a half it has been stated over and over and over again that the Nicaraguans have supplied large quantities of arms even though evidence of the last sizable cache of arms was in 1981—and that came from Costa Rica at the time—and since then there has been no sizable capture of equipment. Why is it that we insist that without that flow of arms, if evidence is to the contrary, the insurgents would fall?

Dr. IKLE. Senator, I think we are saying that without the flow of arms, it would become easier for the Government of El Salvador to control the insurgents and to defeat them eventually. They would not necessarily instantly collapse. First of all, they have considerable reserves of arms accumulated. We do see a lot of evidence of what flows in from Nicaragua. There may be specialized munitions to blow up power stations, bridges——

Senator DODD. Well, what about the bulk of the supplies coming from captured weapons.

Dr. IKLE. No.

Senator DODD. The bulk is not?

Dr. IKLE. The bulk is from Nicaragua.

Senator DODD. These quotes are incorrect?

Mr. ENDERS. Mr. Chairman, in this regard, could we ask that the Senator and perhaps others of the Senate who wish to have it, a classified briefing?

Senator DODD. I gather we are going to have it on Wednesday.

Mr. ENDERS. It is just precisely that.

Senator DODD. You totally discount this news report?

Dr. IKLE. That is incorrect.

Senator DODD. It is absolutely incorrect?

Dr. IKLE. It is distorted.

Senator HELMS. Secretary Enders, I am not sure everyone is hearing you. You will have to keep close to the microphone.

Dr. IKLE. You have to keep in mind, Senator, the amount of arms needed for the kind of warfare Secretary Enders described, mostly targeted against civilian and economic targets is not gigantic. You do not have to come in with big tanks to blow up power stations.

Senator DODD. I understand that, but it is the source of the weapons.

Dr. IKLE. Nicaragua is also the source of direction and guidance.

Senator DODD. I am talking about weapons.

Mr. ENDERS. Could I be more precise on this? And you will have an intelligence briefing in detail. What has been captured by the insurgents have been a number of personal weapons, largely from National Guard units defending isolated or small towns. Their new policy, the new insurgent policy of saying they will not harm, they will let go prisoners caught in attacks of this kind has given them

the possibility of obtaining weapons from some National Guard units.

The numbers of weapons are far insufficient to provide their needs, and there is very little evidence that they are obtaining significant quantities of munitions by this means. And by munitions, consumables are a very large portion of the flow. But we think we have evidence which bears on this which we will submit to you.

Senator DODD. Thank you. I wonder if you might—Mr. Secretary, in your prepared statement you identified our strategy and you listed some six points to that strategy. I would like you, if you could, to characterize how this strategy differs from our strategy over the past 2 years. Is there any significant difference in the strategy you have identified here and the strategy we have seen over the last 2 years, say since January 1981?

Mr. ENDERS. In fact, we think that though it is an enlargement, it builds on the decisions that were made in January 1981 at the time of the final offensive, the decision of the Carter administration to help El Salvador militarily. It has expanded since that time to include elements that were not present then, such as the Caribbean Basin Initiative and such as the effort to deter the sending of advanced weapons or troops to Nicaragua.

Senator DODD. That was certainly part of the strategy even in January 1981. I recall distinctly talking about the flow of arms in 1981.

Mr. ENDERS. We are talking here not only about munitions for El Salvador but about advanced weapons of troops that would give Nicaragua an opportunity, through its own means, to threaten.

Senator DODD. My basic question is this fundamentally the same strategy?

Mr. ENDERS. It is fundamentally the same strategy: it is a political and economic strategy with a military shield.

Senator DODD. But fundamentally, the same strategy.

Mr. ENDERS. It now needs, we think, to be reinvigorated.

Senator DODD. I understand that, but what I am trying to get at is whether we are basically dealing within the same format.

Mr. ENDERS Yes; we are.

Senator DODD. Well, you know, you can anticipate the question. Since then, beginning in 1980 but starting in 1981, we have exhausted substantial revenues, very substantial revenues, in pursuance of a strategy that has not changed, and with some minor exceptions here and there where certain areas of agrarian reform may be working a little better than others, basically the situation is unchanged, fundamentally unchanged.

We are still confronted with a war in that country that is tearing it apart. Why do you believe that this strategy is going to be any more successful in the next year than it has not been for the past 2 years?

Dr. IKLE. I have somewhat anticipated your question, Senator. Just because a strategy with its elements does not lead to the final goal in 1 year does not mean that it is the wrong strategy. In other situations, when Communist guerrillas were trying to destroy democracy——

Senator DODD. It has actually gotten worse.

Dr. IKLE. It took a number of years.

Senator DODD. The situation is worse.

Dr. IKLE. I am thinking of Greece. Overall, I think we spent over $1 billion in support to preserve democracy in Greece against the Communist insurgent onslaught, and in the end the efforts succeeded and for the last 30 years, by and large, there has been democracy in Greece, a strong ally.

So an effort may take a few years. I think the effort needed in this case, a smaller country nearby, will be much smaller, but it takes some time.

It also takes some time for the parallel processes of the elections, building the democratic institutions. Those, as we had in the discussion with Senator Biden, we see cannot grow overnight.

Senator DODD. That is your answer to this question?

Dr. IKLE. A certain time is required to build democratic institutions, to train people.

Senator DODD. What have you been doing for the last 2 years? We have trained people, we have had elections, we have had land reform, we have had all sorts of things, and by your own admission the situation is worse today.

Dr. IKLE. If you look historically at other examples where U.S. policy in prior decades or further back in history succeeded in turning a situation like this around, it usually took several years.

Senator DODD. Like Vietnam.

Mr. ENDERS. Like Venezuela, Senator. It took 8 years in Venezuela and the result was very good. That is a truly democratic state now and it overcame an insurgency. Elsewhere in Central America, it has taken longer. There has been an insurgency in Guatemala for more than a generation, one in Colombia for more than a generation; other insurgencies in other parts of Latin America have taken a number of years to overcome.

We are all very impatient, but I would point to some gains now. Costa Rica, which threatened to disappear as a democracy in its own crisis, is now stabilized. Honduras has become a democracy. In the course of this, Guatemala has been able to make significant advances against its own guerrillas and, indeed, in cleaning up its own political behavior.

The level of activity in El Salvador has not prevented a major land reform and it has not prevented the major steps toward the creation of democratic institutions. For 2 years of effort, it is not too bad. They are ambitious goals but a lot has been done.

Senator DODD. Tell me, whose idea was it to move up the elections?

Mr. ENDERS. This was an idea which had been discussed in El Salvador now since last summer. At that time, the political commission agreed that elections would be held before March 28, 1984, but the exact date was not set. It is a matter of some debate among the political parties. The decision to do so was reached shortly before the Pope's arrival.

Senator DODD. In short, this was not a decision that we foisted upon them. There have been reports that a former Member of this body, Senator Stone, took a trip to El Salvador to raise this point. Was that at our initiation or was it theirs——

Mr. ENDERS. It was a Salvadoran decision on the basis of discussions that, as I say, stretched back to last summer. We did discuss a number of issues with them, but the decisions are Salvadoran.

Senator DODD. My time has expired.

Senator HELMS. No; extend it if you will because you missed a round, due to my inadvertence.

Senator DODD. Thank you, Mr. Chairman.

Mr. Ambassador, I wonder if you might—Senator Biden brought this up earlier. It bears repeating. I have tried to frame these things as best as we can because you say we can then begin to make some sense and direction of it. As I understand it, it is the administration's viewpoint, based on the present scenario and assuming the request is approved, the reprograming and so forth—that you do not see a military victory by the insurgents. Is that correct?

Mr. ENDERS. That is correct.

Senator DODD. It is furthermore correct that at least under the present set of circumstances, you do not see the Government of El Salvador winning militarily, either?

Mr. ENDERS. Without additional resources.

Senator DODD. Assuming you get the additional resources, you do not see them winning militarily, is that correct, as well?

Mr. ENDERS. We see them taking the initiative against the insurgents and holding it. We do not think that in this kind of war, that the physical elimination or the surrender of insurgents is likely at any point. Usually what happens when insurgents suffer a reverse of this kind, they regroup, they go underground, they wait for another chance to——

Senator DODD. But in short, you do not see any win?

Mr. ENDERS. I can see substantial progress.

Senator DODD. But you do not see a win.

Mr. ENDERS. I am not sure it has a meaning.

Dr. IKLE. Senator, we want to dimish the scope and the damage.

Senator DODD. Do you see a continuation of the war?

Dr. IKLE. A reduction of the damage that the insurgents can do to the society, to the economy and to the building of the political process. There may be less damage they will be able to do a year hence.

Mr. ENDERS. There are still insurgents in Venezuela.

Senator DODD. Well, you have answered my question, in effect. You do not see either side winning militarily.

Mr. ENDERS. Because a victory has to be ultimately a political one.

Senator DODD. I agree. Now we get to the point where we need a political solution. The difference between the two points of view on the political solution is that the administration here—and ostensibly, the Government of El Salvador—defines the political solution as an electoral process. Others see a political solution defined as being some sort of a cease-fire, a negotiated dialog process, that would include an electoral process. But that is not the first step.

Mr. ENDERS. Including a coalition government?

Senator DODD. No one has suggested any preconditions, no agreements on anything.

Mr. ENDERS. Wouldn't that be the immediate suggestion?

Senator DODD. That is not the point. What has been on the table is a cease-fire with no preconditions, including an electoral process. I am trying to frame it—I am not arguing it, I am just trying to frame it. Isn't that a distinction?

Mr. ENDERS. What would they talk about?

Senator DODD. Let's not argue the point. I am just trying to determine whether or not that is your perception. The political solution as seen by the administration and at least some sources in the Government of El Salvador is an electorial process. That is one side.

The other side sees the political solution including a cease-fire and negotiation of some kind.

Mr. ENDERS. No; I think that does not define the disagreement at all. I think if you look back over the last full offer that was made by the insurgents which dates from about 1 year ago, on this subject, you have a very clear definition of what it is that they could all agree on. Of course, they have differences amongst themselves.

What was it? It was a political solution which involved a joint government.

Senator DODD. Now, Mr. Ambassador, that is absolutely untrue. With no preconditions. It was in October of last year. No preconditions.

Mr. ENDERS. Now, let me get this straight. Last October we had an offer made in private and then made public 3 days later, followed by the start of the defensive war "unconditional talk." But the last description made public of the insurgents' desires in these discussions—and we, by the way, would be glad to provide you with intelligence information which will confirm that this remains their position and their view, which you can satisfy yourself fully on; you do not have to take my word for it—is that what they want is a coalition government in which you will mix the armed forces——

Senator DODD. We are not talking about a wish list, Mr. Ambassador, we are talking about getting to the table.

Mr. ENDERS. That is what you are talking about, Senator Dodd. That, I take it, is the other position. I am just trying to get the opposition in.

Senator DODD. Well, my point is to you if we do not have a winnable situation on either side, if it is quite clear at this juncture that we are not going to get the insurgents to come in on an electoral process and they will continue waging a war, if it further is assumable that there are no preconditions, although there are wish lists, why not try that option of open dialog?

Let's assume that the insurgents are, or part of them are, bluffing to some extent. Why not at least make an effort toward achieving a cease-fire, and bring an end to violence in that country. Why not try that option? No one is committing anyone to have to live with it forever if, in fact, it does not work out as some might wish it. Why not at least make an effort toward that solution, when everything we have tried for the past several years, despite the expense of millions of dollars, has failed?

Mr. ENDERS. Let me get back to the essence of this and I will go back to where Senator Biden had us on how are you going to deal with the center left. Nobody who goes down to that country, what-

ever his personal views are, comes back with the view that the insurgents have very broad popular support. They do not.

They have a political arm which is the old nonviolent democratic center left in various forms of transmutations. Nobody expects that the guerrillas themselves are going to become democrats. They are not democratic. You do not think that. Nobody else thinks that.

Senator DODD. Which part are we talking about?

Mr. ENDERS. We are talking about the nonguerrilla units that are allied with them, the FDR, the political arm of the insurgency. That is the old center left.

The question is would it be willing to consider participation in a democratic process? There are democrats among them; they are not your friend——

Senator DODD. What do you mean my friend? What are we talking about?

Mr. ENDERS. He was willing to submit to an electoral process.

Senator BIDEN. Would the Senator yield? Did he not say, though, if, in fact, the electoral process did not go the way that he wanted it to go, he would not abide.

Mr. ENDERS. It did not go the way he wanted it.

Senator BIDEN. It went better than it could have gone.

Mr. ENDERS. He was willing to go——

Senator BIDEN. Didn't he say before the election—it seems to me I recall him being quoted as saying that if, in fact, his view was not a part of the government, that he would not abide by it. He would feel that he would have to take his case elsewhere.

Mr. ENDERS. I cannot recall that statement. I can say, however, that he has been part of a coalition government now for more than a year and that——

Senator BIDEN. The only point I am trying to make, Mr. Secretary, is that what someone says before they negotiate and what they end up with after they begin to negotiate is not necessarily the same thing.

Mr. ENDERS. What I am trying to say is there are people who are willing to accept a democratic competition. One of them happens to have been Robert D'Aubuisson. We have relatively little reason to believe—and I wonder whether Senator Dodd has some reason to believe—that the guys with the guns out there are prepared to do that. But I think that the FDR may well be, if the conditions can be created which will meet their needs for personal security and the other things that we have discussed.

Senator DODD. I cannot give any guarantees. No one could at all. But it seems to me that if we at least exercised an option—since neither side is going to win this war militarily, that it will, in fact, require a political solution. That much we agree. It seems to me, then, how do we bring that war to an end, and have at least the option or possibility of some sort of a democratic process that will allow for self-determination. The eggs of the administration are in the basket of an election.

I am suggesting that since the present policy approach is not working, why not try something else? We are not trying anything different here. We are basically coming back 2 years later with the same proposition all over again.

Dr. IKLE. Senator, I am somewhat puzzled by this conversation. I can see how it could have taken place a bit over 1 year ago, but since then——

Senator DODD. It did.

Dr. IKLE. But since then, something has happened in El Salvador. There has been a demonstration of an election with very, very strong popular participation. Extraordinary participation. I think you should stop looking down at the Salvadorans and believe that they cannot participate in building up a genuine democratic process which requires, the way we understand democracy requires elections, that you have such a small minority.

Senator DODD. No one is suggesting that not be a part of it.

Dr. IKLE. What you have is a small minority of some 5 percent or so.

Mr. ENDERS. But that is important. The Senator agrees there should be an election.

Senator DODD. I do not disagree with it. The question is when does it happen and under what framework. I would love to see that happen. But what good did an election do us last March when you still have a war going on a year later? Where do we stand now?

Dr. IKLE. You have a small minority that wants to use violence to achieve their ends. You have a minority smaller than that in the Federal Republic of Germany. There is a terrorist group requiring a substantial effort on the part of the Federal Republic of Germany.

Senator DODD. Do you think the insurgents are just a terrorist group? Is that how you are describing them?

Dr. IKLE. It is a group that does not want to accept the verdict of a democratic election.

Senator DODD. Are you calling it just a terrorist group?

Dr. IKLE. They are larger: they have a guerrilla force, they get outside support, they create economic destruction in the country, but the essential element is that they do not want to accept the verdict of democratic elections.

Senator DODD. My time is up. Mr. Chairman, you have been very gracious with your time.

Senator HELMS. If we give Senator Zorinsky his turn, we will be back on track.

Senator ZORINSKY. Thank you, Mr. Chairman.

As ranking Democratic member of this subcommittee, ordinarily I would be anxious to hear from administration witnesses on the overall program for Latin America and the Caribbean. After all, this is the time, as we approach markup, to consider the various aspects of the military and economic assistance programs as well as to look at USIA's plans. I am afraid, however, that we won't be doing very much of that this afternoon because this hearing has very much been overtaken by events—namely, the President's plans to inject millions more into the mess that is El Salvador. So instead of discussing issues important to our overall relationship with Latin America and the Caribbean, here we are once again dealing primarily with El Salvador.

The President now tells us that because of the deteriorating military situation in El Salvador, $110 million in additional military assistance is needed. Taken with the economic assistance figures,

this means that in the first 3 months of 1983, the total of economic and military aid to El Salvador has nearly doubled from $191 million to $363 million. This means that since 1979, we will have poured approximately $1 billion of the taxpayers dollars into El Salvador with very little to show for it. As I said last week in a statement for the press, "The slow creep of money going to that country has now become a gallop—and still there is no evidence our investment is doing any good."

In my opening statement at the February certification hearing on El Salvador I referred to U.S. policy in El Salvador, in terms of what is happening today with the U.S. economy, as a very bad proposition. I spoke from the perspective of a former businessman, and from the perspective of citizens of this country who are finding it increasingly difficult to balance their checkbooks and to make ends meet. What do we have to show for all the millions, now approaching $1 billion, that we have spent in that smallest nation in Central America. Here is what we have received for our money: poor performance from an army that combats guerrilla fighters as if it is putting in time at the office from 9 to 5—that refuses to heed the advice of U.S. trainers and does things their own way—very unsuccessfully; continued killing of innocent civilians; continued torture and barbarism; government troops not really held accountable for human rights abuses; and political reform measures that are hardly designed to encourage a more democratic system and an open dialog with the moderate opposition.

From what the President is proposing, the same question that I posed in my statement during the certification hearing last month applies even more today "What are we going to have to show for the next hundreds of millions that we throw into the quagmire that is El Salvador today? More of the same?"

Despite how they characterize their policy toward El Salvador, the actions of the administration convince me that they are still looking for a military solution—a military victory which is just not attainable. The administration must change its strategy and put all its efforts behind seeking a political solution which will appeal to all of the contending parties to the conflict. It is not up to the United States to bring this off alone. There is help out there from the nations of the region who are working to bring peace to all of Central America. We must accept this help and support these initiatives toward peace. It is the only way out.

I would like to ask a question of Secretary Enders and possibly of Dr. Ikle also. There is a new rule being talked about for the advisers down in El Salvador. Can you explain what that role is?

Dr. IKLE. You mean the people we have for training in El Salvador?

Senator ZORINSKY. Yes.

Dr. IKLE. We want to use them as we sought to use them before, to convey to the Salvadoran forces the kind of information and training that will enable them to carry out the conflict more successfully. We have had discussions earlier in the hearing about better tactics that should be used. Suggestions have been made that the Salvadoran forces may not be aggressive enough. That is a question of training.

At the same time, also, of course the training, both in-country and the training that we would want to provide generally to the Salvadoran forces, can also instill more respect and greater observation of human rights.

Senator ZORINSKY. Would there be a difference in the logistical or geographic dispersement of these American advisers in a way other than they are currently being utilized? Will they be in closer proximity to the dangerous areas?

Dr. IKLE. Our effort will be not to get our trainers involved in combat situations. Whether the situation would be such that they can become more mobile, that remains to be seen. It depends on the developments.

Mr. ENDERS. Maybe I could help with this. First of all, as the President said on Thursday, we are not going to have combat advisers. We are not going to have people who go into combat with Salvadoran units any more than we do now.

The terms of reference of our training personnel will not change. We have given consideration to whether or not we should station some mobile training teams in brigade headquarters, that is to say in the large cities outside of San Salvador. At the present time they have been stationed essentially in El Salvador, have traveled, come back. We do not know whether they are most efficient that way, but we are not proposing to send them with units into combat, and indeed we are not sure whether we think that the best way for them to be used would be in brigade headquarters. The decision has not been made on that.

Senator ZORINSKY. Is that essentially the major difference, then, in the proposal to use them in a new role?

Mr. ENDERS. There are no proposals to use them in a new role if you mean by that, yes, introduction into combat. Let me say that the President said last Thursday that we would prefer to do the training out of country and if we are able to we will do it.

Dr. IKLE. The emphasis on the new thing is not on the 37 to 50 trainers we now have in the country and what they should do, but on the large-scale training of brigades outside of the country.

Senator ZORINSKY. Why do the American trainers receive hostile fire pay currently if they are in a safe position?

Dr. IKLE. There was hostile pay. Two special pay awards were made to U.S. defense personnel for the most recent period for which we have data, and the rationale for awarding the special pay for duty was in accordance with section 310 of title 37 of the United State Code. They followed the legal requirement.

Senator BIDEN. What does that section say?

Dr. IKLE. We can find it for you. I am not prepared to quote it.

Senator BIDEN. What does it mean?

Dr. IKLE. As I recall it, subject to dangerous situations, I believe. Do we have the section here?

Mr. ENDERS. Maybe I could help, Senator. Both the State Department and the Defense Department have sort of said they would pay for people going into dangerous circumstances. Ours do as well as theirs. There are incentives which are designed to encourage people to serve in unsettled areas.

They are not intended to be the sort of internal counterpart of the War Powers Resolution about going into imminent hostilities.

Senator ZORINSKY. Tom, what kind of pay do they get when they are really in hostile fire areas? If this is not intended to be for hostile fire, then is there a graduated scale?

Mr. ENDERS. It is not coordinated with that, in the sense that if they receive this pay it does not necessarily mean that they are in circumstances defined by the War Powers Resolution.

Senator ZORINSKY. Then there is no difference if you are in hostile fire or not in hostile fire?

Mr. ENDERS. I think if they are in hostile fire or under military action they receive this pay.

Senator ZORINSKY. Then what is the difference if they are up near the front or near the back?

Dr. IKLE. Well, if they are actually engaged there is a big difference, engaged in combat or not, and they are, obviously, not engaged in combat.

Senator ZORINSKY. But if they are engaged in combat do they get a different grade of pay for hostile fire?

Dr. IKLE. No; I do not think so.

Mr. ENDERS. I think the point is this: If you are in an area in which combat is occurring, either participating in combat or behind the lines, as you have just said, on a training mission, you get hostile fire pay. But when you compare the other legislation that we have to be concerned about here in this committee, the War Powers Resolution, it is that accompanying or going into imminent hostilities is a very distinct thing from a training mission.

Senator ZORINSKY. Would that be like being in a high crime area in a city, versus being in a nicer area of the city?

Mr. ENDERS. The War Powers Resolution does not require notification for training missions. It does require notification for going into combat. So that its distinctions are different than those that are contained in either the State Department or the Defense Department hostile fire pay regulations.

Senator ZORINSKY. I am talking about recompense for the physical danger of an American soldier.

Mr. ENDERS. If you go into a country where there are hostilities, you could get hostile fire pay. You can get hostile fire pay even though you are not in any danger yourself.

Senator ZORINSKY. Do we have any troops where there is some shooting going on but they are not getting hostile pay?

Dr. IKLE. The United States is in no risk——

Senator ZORINSKY. Are the troops getting hostile fire pay in Lebanon?

Dr. IKLE. I do not believe so in Lebanon.

Senator ZORINSKY. Why are bullets less effective there than they are under hostile fire in El Salvador?

Dr. IKLE. Well, I can imagine—we can check on this—the risk is somewhat greater in El Salvador.

Senator ZORINSKY. How do you measure risk when people are shooting?

Dr. IKLE. Well, the frequency of nearby incidents, I would say, the frequency of shooting.

Senator ZORINSKY. All it takes is one bomb or one Katyusha rocket.

Dr. IKLE. That can happen in Germany, as you know. Our people have been attacked in Germany, in Korea.

Senator ZORINSKY. Well, it is difficult, I see, for you to explain to me, and it is even more difficult for me to explain to people back home.

Dr. IKLE. Is it your concern that more of our people should receive this pay or that fewer should receive it?

Senator ZORINSKY. Tom and I have discussed the solution to the war in El Salvador on numerous occasions, and I am thoroughly confused as to what he means when he says we will do whatever. Initially, I felt we ought to stop the introduction of all our military aid and if we have to, blockade the area, air, sea and ground, to make sure there is no introduction of the other side's weapons.

Now, I understand that we are not even being requested to be part of the negotiations by some of our Latin American neighbors with whom we are on good terms. They do not even want us in the process any more. I understand that Mexico and Venezuela and Panama are attempting to negotiate with both sides in El Salvador and they do not even want us present. You know, they speak Spanish and we do not.

Mr. ENDERS. I do not think that is a correct statement, Senator Zorinsky. The idea has been floated by Honduras on behalf of itself, Costa Rica, and El Salvador to have a regional meeting of all the Central American countries with the larger countries you mentioned present, and we have discussed this at great length with them and agree, both sides, that if you do not have the United States present then maybe there is a better chance that Nicaragua will come and face up to some of the concerns of its neighbors.

That is what this meeting is about, and I think it is a good idea. I think we should see them get on with it, and maybe the Central Americans can make some progress with their own problems themselves. We would welcome that.

Senator ZORINSKY. Well, Tom, I would like to close with two observations. First, I talked to you 1 year ago about joining with some of the other Latin American countries in seeking a resolution to the conflict in Central America. I finally got down to the point where there appeared to be a misunderstanding between the Embassy of Mexico and our State Department over the terms of the Mexican offer. It actually came down to one Spanish word that could have been misinterpreted, or interpreted one of two different ways, and nobody was even concerned about contacting the Mexican Embassy to find out the interpretation of that word.

Second, I would like to point out there has been one American killed in Lebanon; there have been none killed in El Salvador.

Thank you, Mr. Chairman.

Senator HELMS. Thank you, Senator Zorinsky.

I think we are back on track now. Let me make one or two observations.

First, we are all concerned about the situation in El Salvador. I happen to be among those who feel that we ought to supply essential and proper military aid to that country, and the key words are "essential and proper." Saying that, I want to make sure that the American taxpayer knows without any question that such funds are going to be spent wisely, that nothing will come between our

best efforts to help the Salvadorans and their ability to defeat the terrorist attempt to secure a military victory in that country.

Now, I am concerned that the recent dispute between General Garcia and Colonel Ochoa might have revealed a certain disharmony, for want of the use of a better word, between the goals of defeating the guerrillas and General Garcia's goals of maintaining his political power and his position with the army. I want to make it clear for the record right now that my support for military aid for El Salvador does not include a blank check for anybody's personal greed or anybody's personal ambition.

If the Salvadorans recognize that any individual has been an obstacle to getting the job done right, then the Salvadorans should make haste to accomplish the necessary changes, and anything that leads to a more effective and more concerted campaign to snuff out terrorism in that country will have my support.

Now, just to be sure that we are all singing from the same hymn book, let me ask either of you to clear up in my mind some questions. I find myself wondering if you two and/or anybody else has had a conference with the President to explain in detail what the so-called reforms in El Salvador amount to.

Now, Secretary Shultz was right here at his confirmation hearings last summer and he said that he thought the nationalization of banks was bad policy in general. Now, do you know whether Ronald Reagan agrees with that.

Dr. IKLE. He has been briefed on it.

Senator HELMS. He agrees with it?

Dr. IKLE. He has been briefed on that. But it is not for us to reflect private opinions he may have expessed on it—internal opinions, I should say.

Senator HELMS. I had a lady ask me a few days ago in North Carolina what the difference is between the Reagan administration's policies with respect to El Salvador and those of President Carter? I wish one or both of you would answer that for the record, so I can send a copy of the transcript to the lady.

Senator BIDEN. I would like to know which one speaks for Carter when they do.

Dr. IKLE. You want it for the record?

Senator HELMS. Yes, sir.

Senator DODD. No one here is speaking for President Carter?

Senator HELMS. You may proceed.

Dr. IKLE. You wanted it submitted here? I thought you wanted it submitted later. I am sorry.

There are many differences. I think one difference is we look at the region as a whole in this administration. That means that we recognize that a large part of the difficulty stems from the efforts made by Cuba with Soviet support to destroy the beginnings of democracy or existing democracies, whether it is El Salvador in the former or Costa Rica in the latter.

Therefore, the program has things included that try to address the larger problem. The Caribbean Basin Initiative was not put forward by the Carter administration, but by the Reagan administration. The proposal, I know which has not yet received full support in this house, for Radio Marti, the decision to reach the Cuban

people, was made by the Reagan administration, not the Carter administration.

In other situations it is a matter of degree. The Carter administration began late, in the last few months of 1980, recognizing the need for certain military assistance in El Salvador. And of course, we have proposed increased assistance right now again.

The assistance has been stepped up for economic development in other Central American countries—Honduras, Costa Rica, economic assistance. So in essence, it is a much broader program. It recognizes the source of the problem—Cuba, Nicaragua, Soviet support—and the broader needs.

Mr. ENDERS. I might add to that, if I could, one element, and that is it was the policy of the last administration to attempt to co-opt the Nicaraguan revolution through a program of economic assistance, I think it is widely believed that that effort did not succeed, and it has certainly not been the policy of this administration to continue it.

Senator HELMS. Let me tell you where this lady was coming from. She was living in Latin America. As a matter of fact, she is a native of one of the countries. She married a very prominent young man there. She was talking about the expropriation of a large part of the Salvadoran economy, and she said, now here we are going along with all of the so-called reforms, and then I hear President Reagan on the radio and on television emphasizing the private sector and the free market as a model for development in the Third World, and all that sort of thing.

She said, I just wonder if something is missing in the communications link between her and the administration. I think her questions are legitimate.

Well, I will not take up any more time. We have another panel.

Senator Zorinsky, do you have any further questions? Senator Dodd, do you have further questions?

Senator DODD. Just a couple more if I could, Mr. Chairman.

In the last week or so there were some comments made about the role of the Catholic church in Central America by both the Secretary of State and the Vice President, Now, I noticed yesterday that the Secretary of State suggested that maybe his choice of words was not the most appropriate.

I wonder if you might characterize from the administration's standpoint, in the more stable and calm environment of this hearing room, what you perceive the role of the Catholic church to be?

Mr. ENDERS. Well we now have from the Catholics themselves a debate that in some cases was a very stong one, that occurred during the Pope's trip to Central America, in which the question of the unity of the church, the role of political churches within the church, were debated I think in very stark terms in Nicaragua; the Pope calling for unity, making an appeal to integrate the Iglesia Popular in the church and to bring it back into full order with the rest of the church.

In El Salvador you found the Pope saying once again that the purpose of the priesthood is pastoral, not political. He had been saying this with increasing emphasis ever since his first trip to Latin America, in Puebla in Mexico, in which he condemned the theology of liberation.

So I think we have an increasingly clear statement by the leader of the Catholic church on the issues of the role of the church in political activity.

Senator DODD. Do you think it would be a mischaracterization to describe Pope John Paul II as certainly the most anti-Marxist Pope to inhabit the Holy See in modern times?

Mr. ENDERS. There have been a lot of other anti-Marxists there, too.

Senator DODD. Would you place him in that category?

Mr. ENDERS. I do not think it is for us to do that, Senator. Clearly, he knows more than anybody else about what Marxism can mean for religion, due to his experience in Poland.

Senator DODD. You certainly would put him on the side of being an opponent of Marxists, agreed?

Mr. ENDERS. I would agree.

Senator DODD. As regards the solution in El Salvador, he made a suggestion and a recommendation, and was not that recommendation calling for a dialog and national reconciliation?

Mr. ENDERS. He called for sincere dialog, one that would not be used for a tactical military advantage. By the way, that is an important reference, because the call for unconditional negotiations that you cited earlier, Senator, was one that most Salvadorans would regard as a more tactical military advantage, and I think it was widely recognized in El Salvador. It is a clear reference to that.

He also endorsed the elections as a means of national reconciliation.

Senator DODD. But he called for a dialog. First of all, he obviously did not miscalculate the process, but he called for a dialog between the various elements inside El Salvador.

My point is this, and I have been around this so many times, but the way I read your scenario is that we are going to be back here year after year, talking about reprograming or supplemental appropriations for El Salvador.

If in fact the picture is as you paint it, I do not see any way out of this other than at least taking advantage of an option that has been offered, and if it does not pan out then there are other options we can come back to. But to totally reject that one option, I have a hard time understanding.

To me the money, Mr. Ambassador, whether it is $60 million or $110 million, or 50 advisers or 37, is really not the issue. We have a tendency to get all caught up in the numbers game. What we are both trying to seek here is a solution that brings about the end of the violence, and that does not allow for an alien government to develop in our backyard, and how can we best accomplish this task?

The program we have chosen so far over these last several years, with this request, if it is approved, will mean, I calculate, about $1,054 million. I may be off by a few million, but over $1 billion since fiscal year 1980. We are in no better position; by the administration's own characterization, the situation is actually worse.

So I am hard pressed to see what new strategy we have or how the present strategy is going to work any more successfully than

what has been tried over the past 2 years, and in fact we will be back here in the future without having improved the situation.

Mr. ENDERS. Well, you see, Senator, what you are really saying is, you are saying let us give in to the fellows.

Senator DODD. Oh, no.

Mr. ENDERS. Because they are still out there fighting, in spite of everything that has been done, and therefore we have to do something different. We have to do something which is not what we normally do or believe in, but we have to do it, because they are still there. In other words, they have a veto over what the political processes will be in this neighboring country.

It seems to me, Senator Dodd, that what we have to convince the insurgents of is that they are not going to be allowed to dominate that country, and that they are going to have to come to terms with the democratic evolution down there. At the present time I think that, without intending it—I sincerely do not think that certification was intended to have that result—these periodic polarizing debates we have had on El Salvador have in fact been of substantial comfort to the opposition to that government, thinking that aid might be cut off at any time and that they could make significant gains, if not overwhelm the country.

So our state power is not——

Senator DODD. I would suggest that the same thing has been very encouraging to this administration and certain elements in the Government, who have said, frankly, it does not matter what happens, we will provide aid, we will provide military assistance to that country no matter what they believe.

Dr. IKLE. The Senator says the alternative should be tried. To some extent it has been tried. Secretary Enders referred to it. The Carter administration earlier approached Nicaragua, giving substantial economic support when the Sandinistas took over in the summer of 1979 until almost the end of 1980—and some of that support has still continued, as I mentioned earlier—and took their word, their promise to the OAS to hold elections.

That attempt has been tried and it failed, because they are determined people. We should not underestimate them. We should give them credit that there are a small number of people, very determined, that want to establish a monopoly of power, nothing democratic at all, and they will try to do it through negotiation if they can, but by force of arms if they are not permitted in negotiation.

Senator DODD. I think Nicaragua is a very good example to cite, because in fact what occurred in Nicaragua was not a negotiating process at all.

In fact, you had a military victory, if you will. The Sandinistas won militarily, and we escorted General Somoza out of the country. There were no negotiations. You had a win. They won militarily in that case.

Dr. IKLE. We cut out the assistance to Somoza.

Senator DODD. You had under the umbrella of the Sandinistas, people in the private sector that were supporting the anti-Somoza forces, the Catholic church, the human rights groups, labor, and other elements in that society, that were all under the aegis of the Sandinistas. But we waited until the military victory was achieved, then turned around.

I am suggesting here there is still an opportunity in El Salvador, because all the insurgents do not qualify as being Marxists. There are many who are Democrats and have records as such.

Mr. ENDERS. Let them come in and show that they are democratic, and let us find a way to protect them and to give them access to the democratic process. It seems to me that has got to be central.

As far as Somoza is concerned, Somoza was not the result of the kind of election we saw last March, and there is no way that he could be compared with the situation.

Senator DODD. I think the comparison is worthwhile, but I think there are some misconceptions.

Senator HELMS. There is another vote on. Thank you very much, gentlemen.

We have a second panel, which I apologize to for the delay. But we will go vote and come right back. The subcommittee is in recess.

[Recess.]

Senator HELMS. The committee will come to order.

Gentleman, while we have it to ourselves, maybe we can expedite. I do apologize for having you sit around all afternoon long, but we did not anticipate that many questions and that much debate as occurred with the previous panel.

We welcome you to the Foreign Relations Committee. We have a lot of ground to cover. I understand that you are willing to summarize your statements, and in return for that, I think we will ask a very few questions and then submit the rest for the record, so that you can respond to them, and perhaps we may have some exchange back and forth as a result of your responses, but we will expedite it as best we can.

Mr. McPherson, we are delighted to see you again. You may proceed, sir.

STATEMENT OF HON. M. PETER McPHERSON, ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. MCPHERSON. Senator, let me be very brief.

As you said, I have a longer statement, which I would like to have submitted for the record.

It is an honor to be here again to talk to you about our programs for fiscal year 1984 as well as the additional funds we are requesting for 1983.

The countries in Latin America and the Caribbean have made very important progress over the years and we are proud of the contribution that we made to those efforts. Unfortunately, those gains are now being very seriously threatened by the economic crisis the region has faced, probably the worst since the 1930's, resulting from political and social instability.

This situation is especially serious in the Caribbean and Central America. It is acute in El Salvador, which must face the agony and eoncomic cost of subversion, supported by Communist nations. The United States has responded promptly and adequately to these difficult conditions, but the problems, as you know, remain.

The administration recognized this need in proposing this assistance for the region and in proposing the CBI in 1981. Congress responded with $350 million in additional economic support funds for

fiscal year 1982. To carry forward that effort, we now seek $65 million additional to our previous request for Latin America and the Caribbean region for fiscal year 1983, and we propose to reprogram some $103 million from our existing 1983 continuing resolution levels.

It is my firm conviction that the program which we are proposing serves both immediate and longer term interests in the United States. It helps our neighbors while providing jobs for people through increased trade. It supports the cause of democracy in this region that has serious troubles today.

It is good to be here, Senator, and I welcome your questions. With me is Otto Reich, Assistant Administrator for Latin America and the Caribbean, and Peter Askin, who is Director of the Office of Central American Affairs here in Washington, and who for several years was the Mission Director in El Salvador.

These gentlemen are deeply knowledgeable about the programs in a firsthand way.

[Mr. McPherson's prepared statement follows:]

PREPARED STATEMENT OF HON. M. PETER MCPHERSON

Mr. Chairman, and members of the Subcommittee on Western Hemisphere Affairs, I am pleased to have this opportunity to discuss with you the fiscal year 1984 program of the Latin America and Caribbean Bureau of the Agency for International Development and the related changes we propose for our fiscal year 1983 program as originally presented to the Congress.

THE ECONOMIC CRISIS AND ITS POLITICAL DIMENSIONS

The countries of Latin America and the Caribbean are experiencing their most severe economic crisis since the 1930's. Per capita income in the region as a whole has fallen by nearly 5 percent in the last 2 years and will fall again in 1983. Unemployment rates are rising to alarmingly high levels, and the incidence of poverty is growing. Despite concerted efforts by most governments in the region to deal with their problems through austerity programs and improved policies, near-term economic prospects are poor. Economic recovery will be especially difficult on export crops such as coffee and sugar for which short- to medium-term price prospects are not encouraging.

Current economic conditions in Latin America and the Caribbean contrast sharply with those in the 1960's and 1970's, when great strides were made in addressing long-term economic and social problems. Between 1960 and 1980:

Per capita incomes rose by 87 percent in real terms;

Infant mortality fell from 109 to 64 per thousand;

Life expectancy rose from 56 to 64 years; and

Primary school education became available to virtually the entire school-aged population in most countries.

U.S. assistance contributed in an important way to this progress. But these hard-won gains are being threatened by the economic crisis that has thwarted expectations of further improvements in living standards. This could lead to political instability serious enough to reverse the encouraging progress in the last few years toward the institution of democratic processes, which now prevail in the great majority of the countries with which we are cooperating.

Social and political unrest is visibly growing as economic conditions worsen. Democratic traditions and values are being attacked by internal and external forces hostile to our interests. Faced with this crisis in our hemisphere, the United States must make a determined effort to help reverse the economic decline and to strengthen pluralistic, democratic values, so that discontent with the current economic situation will not be manipulated into directions inimical to our interests and to the freedom of the peoples of Latin America and the Caribbean.

In the last few years our assistance to the countries of the Caribbean region has helped cushion the decline in their economic activity, and the countries themselves have made important contributions by adopting sound economic policies that encourage increased private-sector production and exports. But given the extent of the

problem and the continued depressed level of commodity prices, all this has not been enough. Thus, there is an urgent need for substantial additional flow of economic resources to the region to bring about a reversal of the economic trends that threaten to undermine democratic values The United States must take a more active role now by continuing a high level of assistance flows to the region and by implementing the trade and investment portions of its contribution to the Caribbean Basin Initiative.

In response to this situation, it has been necessary for us to seek to provide more resources to the Caribbean Basin region than proposed in our congressional presentation for fiscal year 1983. We have done so through proposals to reprogram some of the development assistance and economic support funds already available to us and through the request for a fiscal year 1983 supplemental appropriation of $95 million. Of that request, $19 million is for nations of the Eastern Caribbean and $76 million is for Central America.

INCREASING ECONOMIC ASSISTANCE TO CENTRAL AMERICA

In the last few years, Central America has experienced more economic deterioration and political unrest than any other part of the hemisphere. Since 1979, per capita income has fallen by fully one-third in El Salvador, by 16 percent in Costa Rica and by 8 percent in Honduras.

In response to the threat this situation poses to our interests, President Reagan announced on March 10 a proposed assistance package for Belize, Costa Rica, Honduras and El Salvador that includes an additional $168 million of economic assistance beyond the level initially submitted to the Congress for fiscal year 1983. Of this amount, $98 million represents reprogramming of development assistance, economic support funds, and Public Law 480 resources under the continuing resolution, while the remaining $70 million is the revised supplemental request.

President Reagan has made clear his view that we must move decisively to address the social and economic problems of Central America, aggravated by guerrilla insurgencies, if the struggle for freedom and democracy is to be won. The additional funds will be used both to provide additional balance-of-payments assistance and support for production by the private sector and to make possible additional activities in health and agriculture, including agrarian reform.

THE SPECIAL IMPORTANCE OF EL SALVADOR

The largest proposed recipient of economic assistance in Latin America and the Caribbean is El Salvador, whose national economy has contracted by nearly 25 percent over the last 4 years. Like other countries in the region, it has suffered from falling commodity export prices and a cut in coffee export quotas. El Salvador also experienced three separate natural disasters last year: an earthquake, drought, and severe flooding. But its most inhibiting economic constraint is the continued economic warfare waged by insurgents.

Guerrilla attacks on production facilities have frightened away investors and have helped drive the unemployment rate up to more than 30 percent. Commerce has been disrupted by the destruction of roads, bridges, and privately owned trucks and buses, and "war taxes" have been forcibly extracted from travelers. Sabotage of the electric power system prevents distribution of electricity to businesses and homes. Crops are burned in fields or warehouses, and farmers are forced from their land. This series of small attacks adds up to massive damage in macroeconomic terms.

Regardless of the losses and suffering in human terms, the guerrillas are prepared to bring about economic collapse to save El Salvador from representative government and democracy.

Our economic assistance to date has helped repair the physical damage caused by guerrilla attacks and has provided the foreign exchange to cushion what otherwise would have been an even greater decline in economic activity. Our resources have also enabled the government to provide employment on infrastructure projects. In addition, we have assisted the government in making further progress on agrarian reform, despite continuing resistance by traditionally powerful interest groups. A successful agrarian reform is essential for weakening the guerrillas' base of support and for laying the groundwork for more broadly based growth in the future.

Without substantial foreign assistance, the economy would worsen seriously, and the insurgents might well be able to obtain victory. The United States has been the leading source of foreign assistance to El Salvador's battered economy, because we believe that is in our best interests to support its movement to democratic government.

In the face of a determined and escalating insurgent movement, two successive reform governments have achieved most impressive results in implementing social and economic reforms. The Constituent Assembly elected in March 1982 has demonstrated its commitment to reform by voting on March 3 of this year to extend the agrarian reform provision under which former renters can buy land through 30-year mortgages. The Assembly also announced a few days ago that the national election of a president, originally scheduled for 1984, will be moved forward and take place before the end of 1983.

DEVELOPMENT GOALS

The principal long-range objective of our programs in Latin America and the Caribbean is the establishment of self-sustaining, broadly based growth within a democratic framework to meet the needs of the poor majority. To this end, AID will strengthen its programs in institutional development, technology transfer, participant training, and use of market forces to improve the performance of the productive economic sectors and to achieve a wider distribution of the benefits of production through capital-saving technology. Improvements in the administration of essential public services are also needed as well as privatization of services currently being performed by public corporations.

These longer-term measures and the encouragement of democratic values are necessary, but we must also pay attention to the short run. Unless we respond decisively to help stimulate economic recovery, our long-run objectives could be thwarted by anti-democratic social and political reactions to economic deterioration.

THE FISCAL YEAR 1984 PROGRAM

The details of our FY 1984 program are provided in our congressional presentation document. Our total request is for $698.5 million, of which $398 million is from the economic support fund and $300.5 million is functional development assistance. Other proposed U.S. assistance to the region includes $195.2 million in Public Law 480 assistance and $55 million in housing guaranties. Our new projects for FY 1984 will draw heavily on the experience of successful AID-supported projects in previous years.

In agriculture, rural development, and nutrition, we are seeking to improve the capacity of agriculture—especially small-farm agriculture—to produce food for domestic consumption, earn foreign exchange, and increase employment for both men and women. Notable successes in recent years that we will be drawing on include an agribusiness development project in Central America, a subtropical lands development project in Peru that has stimulated vigorous private investment, a labor-intensive agricultural feeder roads project in Haiti, fisheries projects in Jamaica and Panama, and a weaning food development project in Guyana.

Population planning activities will consist largely of incremental funding for existing programs. Program improvements will draw on the experience of successful projects such as the family planning services project recently completed in Jamaica.

Health sector activities will emphasize the expansion of low-cost delivery systems, especially for primary care, drawing on the favorable experiences of projects in countries such as Ecuador and Panama. A new project to provide health care through existing cooperatives will be undertaken in Bolivia.

Education and human resource programs, both new and ongoing, will emphasize rural education and administrative and managerial training to improve the efficiency of both the public and private sectors. New projects include business and management schools in Ecuador and the Eastern Caribbean and an employment-related training project in Honduras.

Selected development activities will emphasize the stimulation of private-sector production and employment by eliminating various key bottlenecks in specific countries. New projects include a private-sector investment fund in Jamaica, an industrial export development project in Central America, and a private sector industrial infrastructure project in the Eastern Caribbean islands. Several regional activities will promote wider regard for human rights and democratic principles and practices, and private voluntary organizations will be supported through new projects in a number of countries.

Economic support funds (ESF) will continue to play an important role in assisting the countries of the Caribbean Basin, through ongoing policy dialogues, to undertake sound economic stabilization and recovery programs. Most ESF assistance will be for balance-of-payments support needed by Costa Rica, El Salvador, Guatemala, Honduras, the Dominican Republic, and Jamaica. The remainder will be directed at specific project activities in Haiti and the Eastern Caribbean. ESF resources will be

used primarily to facilitate imports of key inputs by productive private enterprises. Local currency generations from ESF will be used for credit, infrastructure, public services and the activities of private voluntary organizations, cooperatives, and similar groups.

CONCLUDING OBSERVATIONS

The economic crisis in Latin America and the Caribbean may well worsen unless the United States responds quickly and adequately to the challenge. In the short run, rising commodity prices, private capital flows, and other official capital flows—singularly or in combination—are unlikely to provide the resources required to bring about the speedy economic recovery needed to counter the growing threats to democracy. Increased development assistance and economic support funds, together with enactment of the remaining portions of the Caribbean Basin Initiative, can facilitate that recovery, and do so within a framework of economic and political freedom that will permit a widely shared distribution of its benefits. If we fail to rise to the challenge, we risk the loss of progress towards democracy not only in El Salvador but in a number of other countries as well.

Senator HELMS. Very good.

Mr. Reich?

STATEMENT OF OTTO J. REICH, ASSISTANT ADMINISTRATOR FOR LATIN AMERICA AND THE CARIBBEAN, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. REICH. Mr. Chairman, I do not have much more to add to what Administrator McPherson has said.

The Latin American Bureau's 1984 budget request builds on the programs that the Reagan administration initiated in the previous 2 fiscal years. We, of course, have continued emphasis on the Caribbean Basin countries not only because of the great economic need that exists but because of the importance to the U.S. national security of this region.

We believe our approach is a balanced one. We continue our emphasis on basic human needs and our development assistance levels continue to increase, but we are also expanding our focus on employment generation, principally, of course, through the private sector, which we believe is the hope for the job creation capacity necessary to maintain stability in the region. Hopefully, we will see an increase in that economic activity.

Our principal long-range objective is the establishment of self-sustaining, broadly based growth within a democratic framework to meet the needs of the poor majority. To this end, AID will strengthen its programs for institutional development, technology transfer, participant training, and use of market forces to improve the performance of the productive economic sectors and to achieve a wider distribution of the benefits of production through capital savings technology.

I agree with the statement not only of Administrator McPherson but of our two colleagues who preceded us that the United States is facing a great challenge in this hemisphere. We must meet this challenge. Therefore, we have requested increased assistance for the region, and we hope the Congress will enable us to put these programs forward.

Thank you, Mr. Chairman.

[Mr. Reich's prepared statement follows:]

PREPARED STATEMENT OF OTTO J. REICH

Mr. Chairman, and Members of the Senate Foreign Relations Subcommittee on Western Hemisphere Affairs, I am pleased to have this opportunity to discuss with you the fiscal year 1984 program of the Latin America and Caribbean Bureau of the Agency for International Development.

THE ECONOMIC CRISIS

The countries of Latin America and the Caribbean are experiencing their most severe crisis since the Great Depression of the 1930's. The regional gross domestic product (GDP) fell by four-tenths of 1 percent in 1981 and by nearly 1 percent in 1982. This has meant a decline of close to 6 percent in per capita GDP over the last 2 years. A further decline is expected in 1983 as commodity export prices remain low and heavy debt servicing requirements—even after rescheduling—need to be met. Unemployment rates are rising to alarmingly high levels, and the incidence of poverty is growing.

Before going into this economic crisis in detail, I want to take a moment to step back from this immediate problem and look at Latin America in a longer term perspective. Viewed over the last two decades, development progress in the region has been quite impressive. Until the current crisis, the economic growth of the region had been unprecedented in its history, with per capita incomes nearly doubling in real terms between the late 1950's and 1980. Literacy rates rose from 65 percent in 1960 to 78 percent in 1980. Infant mortality fell over the same period from 80 to 46 per 1,000 births, while life expectancy rose from 56 to 64 years. The latter is a level we did not attain in the United States until the 1940's. In sum, over the long haul, the people and governments of the Latin American and Caribbean region have been able to improve significantly the quality of life in those countries. Our programs have made an important contribution to this progress.

Over the next several years, however, this kind of steady forward movement is seriously threatened by economic problems of an immediate and critical nature. Some of these problems can be traced to unwise government policies or to domestic political turmoil, but the major factors have been adverse trends in the world economy. Slow growth or stagnation in the industrial economies has driven down sharply the prices of the primary commodities exported by Latin American and Caribbean countries and has lowered the demand for the region's manufactured exports. Petroleum-importing countries suffered from a second sharp rise in prices in late 1979 and early 1980, and while these pressures have been partially relieved by recent price declines, petroleum-exporting countries such as Mexico and Ecuador—not expecting petroleum prices to fall—have joined the ranks of the countries with troubled economies. At the same time, Latin American and Caribbean countries have experienced sharply rising debt-service obligations, partly because of the heavy borrowing they did in the mid-1970's to cushion the effects of the first oil shock, and partly because of the unexpectedly high interest rates prevailing in the early 1980's.

Recovery from the crisis is likely to be slow. The Inter-American Development Bank estimates that regional GDP will grow at an annual rate of only 2.8 to 3.1 percent from 1982 through 1986, depending on how well the industrialized countries manage their own recovery. This is below the average growth rate of 5.8 percent achieved from 1970 through 1981, and it is barely positive in per capita terms. Social and political unrest is visibly growing as economic conditions worsen. Faced with this crisis in our hemisphere, the United States must make a determined effort to uphold and strengthen pluralistic, democratic values so that popular discontent will not be channeled into directions inimical to our interests. Since the countries of the region now find it more difficult to meet their development objectives by borrowing in private capital markets—and some of them had little access to these markets even in better times—the United States must be prepared to play a greater role to help reverse falling output, rising unemployment, and the spread of poverty.

The situation is especially grave in several countries of key importance to the United States:

In El Salvador, GDP has declined by about 25 percent since 1978 and unemployment has risen to 3 percent or more. Violence has contributed to factory closings, disrupted commerce and public services, reduced agricultural production, and dislocated thousands of people. The adverse effects of low commodity export prices and a cut in the country's coffee export quota have been aggravated by natural disasters—a major earthquake, severe drought, and heavy flooding. El Salvador had adopted an economic stabilization program supported by the International Monetary Fund, but recovery will continue to be difficult until the violence is brought under control and the world economy revives.

Costa Rica, stronghold of democracy in the region, has experienced a decline in its GDP of more than 10 percent in the last 2 years. World economic trends have hit this country especially hard and have exposed the dangers of heavy reliance on external borrowing and large public sector deficits. Costa Rica's currency has depreciated sixfold, and its inflation rate exceeds 100 percent. Costa Rica has also adopted an IMF-supported stabilization program, but its debt-service obligations will be so burdensome—even after the anticipated rescheduling—that its development effort will be hampered for years to come.

Honduras, the poorest country in Central America, has suffered less than its neighbors from political violence or inappropriate economic policies. Still, its net foreign exchange reserves became negative at the end of 1981, and its economic growth rate may well have turned negative in 1982. Like Costa Rica and El Salvador, Honduras has adopted an IMF-supported stabilization program, a major objective of which is to improve the public finances by raising revenues and controlling expenditures. Economic recovery is expected to be slow, as demand remains weak for the country's major exports and the payoff on heavy recent investments in infrastructure will not come until late in the decade.

In Jamaica, the long economic decline from 1973 to 1980 has been halted, due in large measure to implementation of a 3-year stabilization program with strong financial support from the IMF, the World Bank, and the U.S. Government. Real GDP, however, is still about 20 percent below its level in 1972. Prime Minister Seaga's government has adopted a private-sector, export-led growth strategy, but the level of new domestic and foreign investment has been disappointing. Economic recovery has been weak because of foreign exchange shortages, arising from the continued weakness in the world demand for Jamaica's bauxite exports, as well as infrastructure bottlenecks and the difficulty in dismantling bureaucratic obstacles erected by previous governments.

The Dominican Republic has been hard hit by declining earnings from sugar and other exports. Since the public finances still depend heavily on foreign trade, budget revenues have suffered and the deficit has increased. The government has just received significant financial assistance from the IMF in support of a 3-year stabilization program that will reduce the balance-of-payments and budget gaps; but additional measures are needed to accelerate the development of nontraditional exports.

In Peru, the balance-of-payments shifted from surplus to deficit in 1981, and the country has been forced to divert resources from development activities in order to combat a persistent rural terrorist problem. Although the government has adopted generally healthy economic policies, supported by IMF assistance over a 3-year period, its policy options have been narrowed by international credit uncertainties arising from the financial crises in a number of large debtor countries.

U.S. INTERESTS IN LATIN AMERICA AND THE CARIBBEAN

The importance of Latin America and the Caribbean to our economic and security interests has grown as our economy has become more dependent on world trade. United States exports to the region in 1981 reached $42 billion, more than to any other market besides Western Europe. But in the first 6 months of 1982, Latin American and Caribbean imports from the United States were running 17 percent below their 1981 level. The economic crisis in the region has thus resulted in a significant loss of jobs and income for U.S. workers, factories, and farms. Returns on the $39 billion in U.S. investments in the region have declined, and many U.S. banks are concerned about the safety of their substantial loans to Latin American and Caribbean countries. We must worry, too, about the stimulus that economic stagnation or decline in the region gives to illegal migration and illegal shipments of narcotics to the United States.

The geographic proximity of Latin America and the Caribbean makes it vital to our national security. We depend on unimpeded use of the Panama Canal and the sea lanes adjacent to North America, as well as access to Mexican and Venezuelan petroleum and other raw materials produced by our neighbors to the south. The region also is important to our efforts to limit the spread of nuclear weapons and the operations of international terrorist groups. The countries of Latin America and the Caribbean are playing an increasingly prominent role in hemispheric organizations and international fora, and we would like them to share our concerns on the issues acted upon by these bodies.

Our concern for political stability and the strengthening of democratic institutions in the region is being heightened by the economic crisis. All of Central America now faces threats, external as well as internal, to the democratic traditions we want to see maintained or built. The economic crisis makes resolution of the politi-

cal conflict in El Salvador even more difficult and has required us to increase our assistance to keep that country moving in a democratic, pluralistic direction and thus prevent an unacceptable political outcome at either extreme. In South America, enlightened, pragmatic, democratic regimes in Ecuador and Peru have been threatened by the social and political discontent produced by economic difficulties, and the new civilian government in Bolivia is likewise threatened. In the Caribbean countries, discontent is bound to rise if economic recovery continues to be slowed by depressed world market conditions for sugar, bauxite, and other commodities.

The poorest groups in these countries are particularly threatened by the effects of economic stagnation and political turmoil. Fiscal problems can interrupt the extension of government programs in the social services such as basic education for the next generation and public health to poor rural areas.

Economic stagnation prevents the creation of jobs. Unless the poorest groups have the opportunity to find employment that is productive, they can have little hope of substantially improving their economic situation.

THE U.S. RESPONSE: THE CARIBBEAN BASIN INITIATIVE

In response to the growing political and economic crisis in the region, President Reagan proposed a Caribbean Basin Initiative (CBI). The CBI was conceived and has been implemented as a multilateral effort, in which the United States has joined with Mexico, Venezuela, Canada, and Colombia to increase bilateral assistance to Caribbean Basin countries in support of policy reforms needed for economic stabilization and recovery.

The U.S. contribution to the CBI was devised as an integrated package of trade, aid, and investment activities to facilitate the creation of an economic environment conducive to the efficient exercise of private entrepreneurship and self-help activities.

The initial aid component of this package was approved by the Congress in September 1982 as a $350 million supplemental appropriation of Economic Support Funds (ESF). We anticipate that an additional $300.4 million of ESF resources, $234 million of Development Assistance, and $140 million of Public Law 480 resources will be available for Caribbean Basin countries in fiscal year 1983 under the continuing resolution and from the proposed ESF supplemental appropriation. In fiscal year 1984, we are requesting another $398 million of ESF, $250 million of Development Assistance, and $144 million of Public Law 480 resources for these countries.

The ESF resources—only a small fraction of what is needed given the magnitude of the economic crisis—are being used in support of overall economic stabilization and recovery programs, often undertaken with additional assistance from the IMF. These programs commit the countries of the Caribbean Basin to reforms needed to ensure a more efficient allocation and a more productive use of their resources, in order to achieve a more rapid economic recovery, improve their capacity to provide productive employment opportunities, and generate the resources needed to better satisfy the basic human needs of their populations.

It is particularly important for U.S. interests that ESF assistance to El Salvador be increased in both fiscal year 1983 and fiscal year 1984 from its fiscal year 1982 level. Presently anticipated bilateral and multilateral assistance is insufficient for the Government of El Salvador to simultaneously defeat the guerrilla insurgency, meet its stabilization program targets and provide the resources needed in agrarian reform and other priority areas in order to achieve political and social peace without an extremist "solution." Without adequate external resources, the probability increases that such an undesirable—indeed, unacceptable—outcome will occur.

Participation by the United States in stabilization and recovery efforts in Caribbean Basin countries is especially important for strengthening private-sector confidence. This, in turn, is crucial for increasing the volume of commercial-bank lending, suppliers' credits, and direct foreign investment, as well as for stimulating a return of domestic capital which has left the region.

U.S. assistance will be concentrated in countries which demonstrate a willingness to undertake serious economic policy reforms, both to encourage private-sector production and to increase the efficiency of public-sector programs. We are actively engaged in policy dialogs with the countries of the region to help identify obstacles to more efficient production of goods and services and to offer our assistance in implementing measures that will remove these obstacles. Both Development Assistance and ESF resources will be used to stimulate agricultural and industrial production and employment, especially in the private sector. Public Law 480 resources will also be integrated with development activities in these areas.

These recovery programs are essential to our long-run objectives of meeting the basic needs of the population of these countries. Rapid growth in productive employment is one of the two keys to reaching the poorest sectors of society in these countries. It can only be achieved through economic stabilization and improved economic policies, both of which are supported by or assistance under the CBI. The second key to reaching the poor is extension of basic services such as education and public health. Unless growth is restored, governments will be faced with cutbacks in such programs. Over the longer term, only rapid growth can provide the tax base that can support continued expansion of social programs to all segments of the population, particularly to remote areas.

The two other components of the U.S. contribution to the CBI—the trade and investment measures—have not yet been enacted. These measures would greatly assist the economic recovery of the Caribbean Basin countries. This, in turn, would strengthen our own economy. A greater capacity to import on the part of the Caribbean Basin countries means more production and jobs for U.S. factories, farms, and service industries.

SOUTH AMERICA AND LAC REGIONAL PROGRAMS

Outside the Caribbean Basin, the United States will continue to support the efforts of Ecuador and Peru to cope with their growing economic problems within the democratic frameworks they reestablished in recent years. While ESF resources have been limited to the Caribbean Basin countries, our development assistance support for Peru and Ecuador has helped them undertake the difficult long-term efforts needed to improve the well-being of the poorer members of their populations. The return of civilian government in Bolivia—reflecting the will of the Bolivian electorate as expressed in the 1980 elections—provides us an opportunity to support efforts to overcome the even more serious economic problems in that country and to suppress an illegal drug industry that has reached alarming proportions.

AID will continue its support for activities having a regionwide impact through the LAC regional program. Under this program, AID tests promising development initiatives for future application and supports such organizations as the American Institute for Free Labor Development, the Latin American Scholarship Program of American Universities, Solidarios, the Partners of the Americas, the Inter-American Institute for Cooperation on Agriculture, and the Inter-American Institute of Human Rights in their activities throughout the region.

We will continue to work throughout the LAC region toward our principal long-range objective: the establishment of self-sustaining, broadly based equitable growth within a democratic framework. Therefore, AID will strengthen its programs in institutional development, technology transfer, and participant training to improve the performance of the productive economic sectors and to achieve a wider distribution of the benefits of production through capital-saving technology, improvements in the administration of essential public services, and use of private market forces. We will also participate activiely in the worldwide efforts of this Administration to support democracy in the developing countries. As part of this initiative, we intend to support several activities in the region, such as an inter-American center for electoral advice and promotion; a regional rural newspaper for small-scale farmers, and an adult education radio program in Central America; programs to develop and strengthen citizen action organizations; an inter-American community leaders exchange program; and an expanded number of scholarships to enable Latin American and Caribbean faculty and both graduate and undergraduate students to study in the United States.

Our increasing emphasis on improving government policies and on fostering the role of the private sector in development does not represent a move away from our concern for the poorest groups or for meeting their basic human needs. Rather, it reflects our experience during the past decade which indicates that inappropriate government policies can negate the positive impact of direct assistance to poor people and that efforts to improve the welfare of poorer groups without accompanying economic growth are not sustainable.

THE PRIVATE SECTOR'S ROLE IN EMPLOYMENT CREATION AND POVERTY ALLEVIATON

Both AID and the governments of Latin America and the Caribbean have increasingly recognized that a major obstacle to the alleviation of poverty in the region is the sharp increase in unemployment and underemployment resulting from slower economic growth and the inability of import-substitution industries to create as many jobs as had been hoped. Since most import-substitution opportunities have been exhausted, future employment creation will be determined to a large extent by

the ability of Latin American and Caribbean countries to promote labor-intensive, export-oriented activities with strong domestic backward and forward linkages. The processing of agricultural products is especially well suited to the achievement of employment objectives, and Latin American and Caribbean countries have the potential to substantially increase their output of these products. Many countries will also find that considerable employment potential exists in assembly industries producing for export, as the example of Haiti has demonstrated over the last decade.

Private entrepreneurs can contribute substantially to the elimination of poverty not only by providing jobs for unskilled and semiskilled workers and by increasing the demand for the output of small farmers, but also by contributing to the tax base of their countries. This helps finance public investment projects to improve infrastructure, as well as meeting the recurrent cost requirements of the substantially increased levels of social services which Latin American and Caribbean countries have undertaken to provide for their citizens in the last decade.

Our support for the private sector and use of market force will involve a variety of activities, the specific combinations of which will depend on the circumstances of the particular country. In some instances, it will involve crucial items of infrastructure. In other cases, it will require the fostering of institutions to provide stable sources of long-term financing for productive purposes. In still other cases, what is required will be technical assistance to very small producers—women as well as men—to enable them to realize their full growth potential.

At times, our most effective support for the private sector will involve encouragement of governments to reform policies and regulations. Price controls on agricultural products are an obvious deterrent to production in a number of countries. Government monopolies on agricultural inputs that sometimes are unable to get needed products to farmers in a timely fashion, or to provide inputs of good quality, are another example. In other cases, transportation monopolies raise prices to consumers and lower them to producers. By working with governments, we can generate increased output and new opportunities for efficiency in production and distribution of offering the private sector an opportunity to work.

COOPERATION WITH ADVANCED DEVELOPING COUNTRIES

Secretary of State Shultz, in his address to the General Assembly of the Organization of American States on November 17, 1982, noted that the advanced developing countries of the Americas "are ready for new kinds of partnership to accelerate balanced development. The issue here . . . is less one of money rather than of dynamism, creativity, and entrepreneurship." President Reagan reaffirmed U.S. support for broadening developing ties with these countries during his December 1982 visit to Central and South America. These new ties will consist of:

Building collaborative relationships with key public and private sector institutions;

Promoting the renewal of past relationships between United States and Latin American and Caribbean institutions;

Focusing the resources of the Trade and Development Program, the Housing Guaranty Program, and our Science and Technology Programs on specific activities in middle-income countries;

Coordinating and promoting trade development activities;

Facilitating access to U.S. Government expertise and technology; and

Increasing professional-level training in the United States.

THE FISCAL YEAR 1984 PROGRAM

The proposed fiscal year 1984 program for Latin America and the Caribbean totals $698.5 million, of which $398 million is from the Economic Support Fund and $300.5 million is functional Development Assistance. Of the combined total, $420.9 million would be provided as loans and $277.6 million as grants. Other proposed U.S. assistance to the region includes $195.2 million in Public Law 480 assistance and $55 million in Housing Guaranties. The attached chart provides a breakdown of funding levels by country and funding source.

Our program will be implemented through 14 bilateral programs and 3 regional programs. Any required increases in staffing levels will be reallocated from within existing OMB approved levels for the Agency.

By functional category, development assistance funds will be allocated as follows: $153.4 million for Agriculture, Rural Development, and Nutrition; $13.3 million for Population Planning; $17.9 million for Health; $42.9 million for Education and Human Resources Development; and $73.0 million for Selected Development Activities.

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Under these functional categories, grant funds will be used for technical assistance, training, and support to private voluntary organizations (PVOs). Also, all assistance to Haiti and the small Caribbean islands will be provided as grants. Loan assistance will be utilized for such capital projects as infrastructure development and credit and auxiliary services to the private sector, as well as programs to improve government capabilities in resource management, agricultural research and extension, agrarian reform, rural development, and similar areas.

Let me summarize briefly how our Development Assistance and ESF funds will be used:

Agriculture, Rural Development, and Nutrition programs will seek to increase the capacity of agriculture to produce food both for domestic markets and export crops, thus generating higher incomes and improving nutrition, especially for small-farm families. Another important objective is to stimulate employment opportunities for both men and women in agro-industrial and other off-farm enterprises. New projects in FY 1984 include agricultural resource management projects in Peru and the Dominican Republic; and Agribusiness Expansion project in the Eastern Caribbean Islands and Belize; and aquaculture project in Panama; and projects to strengthen rural financial markets in Haiti, the Dominican Republic and Costa Rica. Ongoing projects, including operational program grants with Private Voluntary Organizations, will support programs in research, extension, forestry, sector policy reform, and other activities. Complementary programs from the Selected Development Activities account, particularly those designed to stimulate private investment, will also play an important role in meeting rural development objectives.

Population Planning activities will consist largely of incremental funding for existing programs. A new Population Dynamics project will be inititated in El Salvador.

Health sector activities will emphasize the expansion of low-cost delivery systems, especially for primary care for the rural and urban poor, under successful projects begun in earlier years. A new project to provide health care through existing cooperatives will be undertaken in Bolivia.

Education and Human Resoure programs, both new and ongoing, will emphasize rural education and administrative and managerial training to improve the efficiency of both the public and private sectors. New projects include business and management schools in Ecuador and the Eastern Caribbean and an Employment-Related Training project in Honduras.

Selected Development Activities will emphasize the stimulation of private-sector production and employment by eliminating various key bottlenecks in specific countries. New projects include a Private-Sector Investment Fund in Jamaica, an Export Industrial Development project in Central America, and a Private Sector Industrial Infrastructure project in the Eastern Caribbean Islands. Several regional activities will promote wider regard for human rights and democratic principles and practices, and private voluntary organizations will be supported through new projects in a number of countries.

Economic Support Funds will continue to play an important role in supporting the countries of the Caribbean Basin to undertake sound economic stabilization and recovery programs. Most ESF funds will provide part of the substantial balance-of-payments support needed by Costa Rica, El Salvador, Guatemala, Honduras, the Dominican Republic, and Jamaica. The remainder will be directed at specific project activities in Haiti and the Eastern Caribbean. The foreign exchange made available from ESF resources will be used primarily to facilitate the financing of key imports by productive private enterprises. Local currency generations will primarily support credit requirements of these enterprises. They will also provide some counterpart contributions for key infrastructure projects essential for the long-run growth of the private sector; essential public services; and the activities of private voluntary organizations, cooperatives and similar groups.

CONCLUDING OBSERVATIONS

The continuing sluggishness of the world economy has aggravated the economic crisis in Latin America and the Caribbean. There is growing concern that some countries in the region might default on their external loans and that popular discontent with falling living standards may lead to political violence. These would be tragic developments, both for the people of the region and for the interests of the United States.

Latin American and Caribbean countries are in great need of more external assistance from official sources, as their access to private capital markets has been diminished. Our national interests require that we respond quickly and adequately

to this challenge. We will continue to concentrate our assistance on those countries which have demonstrated a willingness to implement sound policies that will lay the groundwork for a sustained, broadly-based economic recovery within a framework of economic and political freedom. The Development Assistance and Economic Support Funds we are requesting, as well as enactment of the remaining portions of the Caribbean Basin Initiative, would greatly facilitate this kind of recovery.

Thank you.

U.S. ECONOMIC ASSISTANCE TO LATIN AMERICA AND THE CARIBBEAN BY FUNDING SOURCE - FYs 1982, 1983 and 1984
($ millions)

COUNTRY/ SUB-REGION	DEVELOPMENT ASSISTANCE			ECONOMIC SUPPORT FUNDS			DISASTER ASSISTANCE			P.L. 480 TITLE I/[illegible]			P.L. 480 TITLE II			TOTAL U.S. ECONOMIC ASSISTANCE BY COUNTRY/SUB-REGION			EXISTING GUARANTIES		
	1982	1983	1984	1982	1983	1984	1982	1983	1984	1982	1983	1984	1982	1983	1984	1982	1983	1984	1982	1983	1984
CARIBBEAN																					
Belize	—	3.65	4.00	—	30.00 B/	—	—	—	—	—	—	—	—	—	—	—	11.65	4.00	2.00	—	—
Dom. Republic	19.04	35.76	31.00	41.00 B/	30.00 B/	40.00	—	—	—	36.90	10.00	20.00	3.12	2.29	3.82	80.06	96.05	92.82	—	5.00	—
Guyana	1.68	2.38	1.00	—	—	—	—	—	—	—	—	—	.15	.19	.20	1.83	2.29	1.20	—	—	—
Haiti	12.01	14.80	19.00	—	10.00 B/	5.00	—	—	—	13.00	11.00	11.00	9.15	6.09	6.21	34.16	43.89	43.21	—	5.00	—
Jamaica	28.86	37.00	33.50	90.06	53.00	35.00	.09	—	—	17.50	20.00	(11.00) 20.00	.01	.01	.01	136.52	110.01	108.51	—	10.00	—
				(40.46) A/	(50.00) C/																
				(50.00) A/	(3.00) D/																
Suriname	—	—	—	.50 A/	—	1.00	—	—	—	—	—	—	—	—	—	.50	—	1.00	—	—	—
Car. Regional	29.96	36.00	30.00	30.00 A/	31.00	25.00	.10	—	—	—	—	—	.05	.05	.09	98.11	97.00	55.00	10.00	—	5.00
					(120.00) B/																
					(5.00) C/																
					(6.00) D/																
Sub-Total	91.55	107.31	118.50	151.96	114.00	126.00	.19	—	—	47.40	49.00	51.00	12.48	10.63	11.33	382.58	280.94	306.83	12.00	20.00	5.00
CENTRAL AMERICA																					
Costa Rica	11.54	19.14	13.00	30.00 A/	125.00	70.00	—	—	—	30.00	30.00	30.00	1.09	.23	.04	98.63	164.36	183.04	30.00	—	—
					(70.00) B/																
					(50.00) C/																
					(5.00) D/																
El Salvador	36.20	38.14	38.00	115.00	140.00 C/	130.00	2.20	—	—	27.20	30.00	32.00	7.06	4.62	5.48	189.46	204.96	195.48	5.00	5.00	—
				(60.00) A/																	
				(75.00) B/																	
Guatemala	7.92	12.50	13.00	—	26.35	40.00	.36	—	—	—	—	7.00	5.62	5.27	4.48	13.90	44.12	64.48	10.00	—	10.00
					(10.00) B/																
					(10.35) C/																
					(6.00) D/																
Honduras	31.17	35.30	32.00	30.00	15.00 C/	40.00	—	—	—	7.00	5.00	6.00	3.09	3.67	3.30	70.86	58.77	81.30	10.00	—	15.00
				(1.00) A/						(7.00)	(5.00)	(5.00)									
				(25.00) B/																	
Nicaragua	.66	—	—	5.10 A/	—	—	—	—	—	—	—	—	.25	.33	.34	6.13	.33	.34	—	—	—
Panama	11.69	10.00	11.00	—	—	—	—	—	—	—	—	—	1.36	1.32	.93	13.05	11.32	11.93	—	25.00	—
RECAP	13.13	11.35	15.00	—	17.50 B/	—	—	—	—	—	—	—	—	—	—	13.13	28.85	15.00	—	—	—
Sub-Total	112.33	118.23	124.00	176.90	323.85	270.00	2.64	—	—	52.20	55.00	67.00	19.19	15.64	14.47	384.26	512.72	475.47	45.00	30.00	25.00
SOUTH AMERICA																					
Bolivia	2.12	10.10	5.00	—	—	—	—	—	—	10.00	10.00	10.00	6.40	8.82	7.54	18.52	37.52	22.54	—	25.00	—
										(10.00)	(10.00)	(10.00)									
Brazil	—	—	—	—	—	—	—	—	—	—	—	—	.34	.35	.32	.34	.35	.32	—	—	—
Chile	—	—	—	—	—	—	—	—	—	—	—	—	2.32	.96	—	2.32	.96	—	—	—	—
Ecuador	17.20	6.70	10.00	—	—	—	—	—	—	—	—	—	2.38	1.69	1.52	19.60	10.39	11.52	25.00	—	25.00
Paraguay	—	—	—	—	—	—	—	—	—	—	—	—	.11	.07	.06	.11	.07	.06	—	—	—
Peru	35.82	27.00	24.00	—	—	—	—	—	—	17.00	20.00	20.00	16.59	13.49	11.93	69.41	60.49	55.93	—	25.00	—
Sub-Total	55.14	43.80	39.00	—	—	—	—	—	—	27.00	30.00	30.00	28.14	25.38	21.37	110.20	109.98	90.37	25.00	50.00	25.00
EAC REGIONAL	21.74	20.29	19.00	—	11.50	2.00	—	—	—	—	—	—	—	—	—	21.74	31.79	21.00	—	—	—
TOTALS	280.86	291.63	300.50	328.86	449.35	398.00	2.83	—	—	126.60	142.00	148.00	59.81	51.65	47.17	799.36	935.43	893.67	82.00	90.00	55.00

A/ FY 82 Regular Appropriation B/ FY 82 Supplemental Appropriation C/ FY 83 Continuing Resolution
D/ FY 83 Supplemental Appropriation

Source: FY 1984 Congressional Presentation

The CHAIRMAN. Thank you, Mr. Reich.
Mr. Kristula?

STATEMENT OF MICHAEL A. KRISTULA, DEPUTY DIRECTOR, OFFICE OF AMERICAN REPUBLICS AFFAIRS, UNITED STATES INFORMATION AGENCY

Mr. KRISTULA. Mr. Chairman, I have a brief statement I will read, and get through very quickly.

I appreciate this opportunity to discuss with you the principal activities and goals of the United States Information Agency in this hemisphere. Our major program goals are: To strengthen foreign support and understanding of U.S. policies, to promote knowledge and awareness of American culture, society, and values; to develop and administer exchange programs; and to counter hostile propaganda directed at our country and our policies.

In Central and South America and the Caribbean, we address these tasks through cultural and information activities of 35 posts in the capitals and major cities of 26 countries. President Reagan visited four nations in the region in December 1982, and called attention to these tasks and to the priority which the administration attaches to relations between the United States and our neighbors to the South. There can be no question that the job that we are doing in the American Republic area is seen now as being more critical to U.S. national security interests than at any other time in recent years.

We are requesting an increase of $2,763,566 in fiscal year 1984 for a total request of $25,595,800 to carry out our activities in Latin America and the Caribbean. Some of this money is going for mandatory wage and price increases and other built-in changes.

The remainder of the increase, $1,186,771, is for new programs consisting of $386,771 for the addition of four American and nine foreign national positions, and $800,000 for the strengthening of English teaching and library programs which are administered by binational cultural centers in most of the countries throughout the hemisphere.

We believe that these enhancements of staff and cultural center programs are necessary now.

Under these enhancements, emphasis will be given to the English teaching and library programs at approximately 120 binational cultural centers throughout the hemisphere. These programs appear to be a rational and cost-effective means to reach large numbers of young people. This effort will buttress our exchange program and help counteract the activities of our adversaries in this area. We will also be able to reach people in their own communities through cultural institutions which are familiar, respected, and which represent the mutuality of interests between the United States and host nations.

USIA deals daily with a wide range of American policy issues. Our task is to provide accurate information about the United States and its policies so that individuals throughout the hemisphere will be able to reach informed conclusions about this country and associate the openness of our society with the values of democratic institutions as they plan their own future.

We believe that our request for this next fiscal year will enable us to perform our tasks even more effectively at this critical time.

Clearly, there is a confrontation between those who advocate Marxism and Leninism as alternatives to social, economic, and political ills and injustices and those who, like us, believe that genuine democracy and freedom of choice offer the opportunity for a better future.

Thank you very much, Mr. Chairman.

Senator HELMS. Thank you, all three of you.

A few questions, I think, ought to be asked and answered by you here today. Three years ago, when the revolutionary junta in El Salvador initiated its programs, there began and there continues today to be widespread concern in our own country about these programs.

I would like to know for the record, Mr. McPherson, what your investigations and consultations have disclosed about the involvement of the U.S. Government in the planning for and the initiation of the banking expropriations, the nationalization of export functions, and the expropriations of farms under phases 1 and 3 of the so-called land reform in El Salvador.

Mr. MCPHERSON. Certainly, Mr. Chairman. Those reforms, as you know, were undertaken prior to this administration. Nevertheless, of course, we have been interested in them. The banking reforms and expropriations and the nationalization of the export functions were programs into which the U.S. Government, at least AID, never put any money, and in fact AID has never been involved, to the extent that I have any knowledge.

Now, as to the land reform, you sponsored the Helms amendment, which prohibits the U.S. Government from putting financial resources behind the planning for and the paying of compensation for land. Accordingly, that policy has been very carefully adhered to during my tenure and, to my knowledge, otherwise. I think that has been a productive policy and an important one to pursue.

Senator HELMS. I guess what I want you to do is to distinguish in terms of the involvement of the U.S. Government between the activities of Embassy personnel, the activities of Government officials visiting El Salvador, and the activities of U.S. Government contractors or quasi-private organizations such as the American Institute for Free Labor Development [AIFLD] which has been so active in land reform.

Can you go back and reconstruct that for me?

Mr. MCPHERSON. I think that it would be prudent for me to reconstruct that carefully for the record, and we will do so, but let me make some general comments.

Senator HELMS. All right.

Mr. MCPHERSON. We believe that your amendment applies not only to AID and U.S. Government personnel generally, but also to anyone with whom we would contract, at least in the use of our financial resources. Accordingly, AIFLD could not use AID money for the purposes prohibited under the statute.

That does not mean that they could not use their own resources, though I think as a practical matter, their primary emphasis has been on the support of land reform in other ways.

[The information referred to follows:]

ROLE OF U.S. GOVERNMENT IN EXPROPRIATIONS IN EL SALVADOR

The U.S. Government did not play a role in the planning or initiation of banking expropriation, nationalization of export functions, and the expropriation of farms under land reform in El Salvador. Nor did any private or semi-private organization or consultant financed by the U.S. Government play any role.

The change in government in El Salvador and subsequent proclamations of economic reforms were Salvadoran solutions to problems as perceived by new Salvadoran leadership. The pace of change and reform was quite rapid in the first months following the coup of October 15, 1979, when a group of reform-minded military officers seized power from the Chief of State, General Carlos Humberto Romero. Among the first acts of the leaders of this coup were proclamations promising new efforts in political, economic, and social change A joint military/civilian junta was established to govern until popular elections were held. This junta, by decree in early March 1980, established the banking, trade, and agrarian reforms which had been promised the previous October.

While the coup was not unexpected, the U.S. Government did not encourage it. Violence and unrest had been on the increase in El Salvador throughout the seventies, leftist extremists were gaining in influence, and a state of near anarchy prevailed just prior to the October coup. The fall of the Somoza regime in Nicaragua in July 1979 added to the confidence of these extremists. Therefore, it was not surprising that moderate Salvadoran leaders felt that change was necessary to prevent collapse and seizure of power by the far left. The activities in question were part of the Salvadoran answer to the guerrilla threat and were seen by them as the opening of increased social and economic opportunity to the Salvadoran people.

Senator HELMS. I am passing over questions that I had prepared, which I will submit to you in writing.

To your knowledge, in 1980 or now, was or is there anyone in the U.S. Embassy or AID who had had experience with socialized farming in any other part of the world, for example, the U.S.S.R.?

Mr. MCPHERSON. Not to my knowledge, Senator.

Senator HELMS. Did they try to counsel the Salvadoran Government against programs of nationalization? I know this is a tough question to ask you, because you were not there, but to the best of your knowledge, speaking of 1980, do you know whether there was any warning or suggestion or advice given?

Mr. MCPHERSON. Are you asking whether there was any advice given that land reform should be undertaken?

Senator HELMS. Yes.

Mr. MCPHERSON. I cannot tell you precisely, but my general recollection was that the U.S. Government at that time thought that land reform programs should be undertaken. As to who provided such advice and their background, I do not know.

Incidentally, I may have misstated the Helms amendment. I believe that it prohibits compensation and planning for compensation, to be more precise.

Senator HELMS. That is correct.

Now, Mr. Reich, in your testimony here last August, you mentioned what you called, as I remember, "the darker days before 1979" in El Salvador. Is it not ture that the levels of economic production and the standard of living and other indicators show that El Salvador compared very favorably with Venezuela and Mexico during that period of time that you referred to as "the darker days before 1979?"

Mr. REICH. Senator, I do not recall referring to it as "the darker days," but I am happy to report to you that our latest figures show that the most recent production levels in El Salvador are up to the average of the 5-year period from 1975 to 1979.

You are right that Salvador has traditionally had high levels of agricultural production. There was a decline after the 1979 coup for political and economic reasons, but we are happy to see that the production levels are back to those averages, in spite of the very determined effort by the guerrillas to destroy the economic base, including burning of warehouses full of coffee, cotton, and other crops.

Mr. MCPHERSON. Senator, if I may make a comment, this administration came into office with a train running, if you will, in El Salvador on land reform and a lot of other things. In a relatively short period of time, as you know, the President has endorsed the general thrust of land reform in that country, because it was felt that this was one of the key instruments that we had at hand to deal with the guerrilla threat.

The President, in his speech on Central America on March 10, talked at some length about land reform and the situation in El Salvador. As land reform has evolved, there have been a lot of different questions about it. You, among others, have had a number of them over the years. What we have here is one of the things that the guerrillas find particularly threatening. For that reason, among others, it seems to us that it is a program which we should continue to support.

Senator HELMS. You may have heard my reference to the lady born in Latin America who now lives in North Carolina, who asked me in effect if everybody was singing from the same hymnbook, because the President throughout his career, in countless public statements, has talked against this sort of thing.

As for the banks, Secretary Shultz in his nomination hearings said it is bad policy, but staff called my attention to the study by the Checchi Co. at the request of AID. I would like to report that the same group appeared in 1981 and advised the earlier report had some rather interesting conclusions, including this one. "Salvadoran reform was initiated by a free people rather than imposed from without."

Now, it seems that that statement may answer some of the questions I have asked earlier, both today and previously. It implies that the revolutionary junta was a freely elected government, and that the U.S. Government had nothing to do with the imposition of these reforms, so-called, and I note for the record that the Checchi reports were solicited and paid for by the AID.

The early report, which mentioned production increases in crops, phase 1 properties, did not mention that those properties had been the result of tremendous capital investment by the former owners, which implied the possibility, at least, that the new cooperatives might have been living off that former capital, nor did the Checchi report mention that all figures had been derived from Salvadoran Government sources, and therefore could be questionable because the Government had a direct interest in the success of these reform cooperatives.

Do you have any comment about that?

Mr. MCPHERSON. As you say, there are two reports—the Checchi report of 1981 and the Checchi report which just has been released. The most recent Checchi report is made on the basis of Government discussions, as well as fairly extensive field work and consul-

tation. I would be the first to say that tumultuous times such as we have in El Salvador do not lend themselves to careful and complete statistics, but I think there is some indication that in fact production has stabilized.

Senator HELMS. Now, Mr. Reich, has AID conducted any audits of its own and other participations in expropriation of the heretofore private sectors?

Mr. REICH. I am sorry, sir. It was hard to hear you with the buzzer going.

Senator HELMS. I wonder if AID has conducted audits of any of its other participations in the expropriated sections.

Mr. REICH. We have conducted audits of AID-funded activities. Last year, for example, audits were performed on AID-supported agrarian reform credit and private sector activities. We have a team now in El Salvador conducting another audit of AID funds going into the agrarian reform credit effort, both ISTA, which is phase 1 financing, and FINATA, which is phase 3. We have audited and watched very carefully any funds that have gone into those activities.

Senator HELMS. That information will be available to us?

Mr. MCPHERSON. Yes. Copies of audit reports are routinely provided to Congress as they are completed.

Senator HELMS. Now, I asked a couple of my folks to go down during the past year, year and a half, and they came back saying that they heard countless complaints that while the budget of AID in that country had grown tenfold, the staff was almost the same as before. Is that correct?

Mr. REICH. Yes, sir. Unfortunately, that is the case. The reason for that is because of security concerns for the number of Americans in the country.

Senator HELMS. Well, they are certainly giving you a full plate to try to do all of the things that have been assigned to you, and not been critical, because I do understand that keeping track of such an enormous amount of money with such limited personnel may be virtually impossible, but I can see also that this money may be going toward two institutions which by their structure were quickly formed and are, let us face it, socialist in nature, and inefficient.

This sort of thing invites corruption and mismanagement. Now, I have asked the Comptroller General, Mr. Bowser, that I would like to have a thorough audit by the GAO of all funds going directly and indirectly from the United States to the expropriated sectors of the Salvadoran economy. Now, I do that, as I said before, because you folks have had limited personnel, and I think that you would welcome any investigation into it.

Mr. REICH. Yes, sir. If I may add something to that, the number of Americans has remained about the same. If my figures are correct, about 5 years ago, we had about 21 Americans managing our program of about $10 million. We now have 20 Americans managing a program of over $200 million; however, we are using more local Foreign Service nationals and more contract employees. Although the number of Americans has remained the same, we do have more local people directly under our supervision.

Senator HELMS. Well, I would like to sit with you and discuss a lot of things, but we have imposed upon your time unduly already.

I have just been advised that Senator Pell is coming back after the vote on the floor that is now in progress, and if you would—he has one question. I do not know what it is. It relates to the USIA. And as I said earlier, we will submit questions, and maybe all Senators will do that. So, I will not burden you further.

I am going to recess the hearing, and I will instruct staff to ask Senator Pell to chair while he asks his question.

With that, I thank you for your patience, and I thank you for coming up. We will submit the questions to you. Senator Pell will be here momentarily. Until he arrives, we stand in recess.

[Whereupon, a brief recess was taken.]

Senator PELL [presiding]. The session is resumed. You just recessed.

I have a couple of questions to ask, and Senator Helms suggested that I take the chair for the moment.

It is always good to see you, Mr. McPherson. I am delighted to be here with you.

I have one particular question, really, more for Mr. Kristula than anybody. That is, I was struck by Ambassador Kirkpatrick's Newsweek interview of last March 14, in which she expressed concern about large-scale Soviet efforts to provide scholarships and educational exchange activities for students and scholars from Central America.

Ambassador Kirkpatrick compared this to the meager U.S. effort, noting there is "virtually no U.S. counterpart. This is very distrubing to the leadership in these countries. because they feel that it represents a long-range strategy. The establishment of cultural hegemony, which is incompatible with our own democratic aspirations."

Do you share Ambassador Kirkpatrick's concerns?

Mr. KRISTULA. I think, Senator, it is true, the Soviet Union does have a substantial scholarship grant program, but I feel we must not overlook the fact that as part of the educational exchange program, USIA has over 3,800 academic exchanges here at any one time.

Senator PELL. Over what?

Mr. KRISTULA. Over 3,800 academic exchanges in the United States at any one time, plus another 26,000 students that are studying in the United States under scholarships from other Federal agencies. Director Wick has addressed this program also in testimony before the full committee; there are a fairly large number of students here strictly on their own resources, and that amounts to almost 300,000.

So totally, in 1981–82, the last year for which we have records, there were 326,000 foreign students here.

But one of the reasons we are asking to expand or enhance the English teaching program and the library program at the binational centers is so that we could reach a much larger number of students at a very cost-effective rate.

As you know, there are 120 binational centers in Latin America, a network that has existed for many, many years. These are well-established, well-regarded institutions and communities throughout all the countries in the hemisphere.

Senator PELL. How many students go under government scholarships to the Soviet Union and Cuba, the eastern bloc countries, do you think?

Mr. KRISTULA. I will have to look that up.

Senator PELL. You must have a feel for it.

Mr. KRISTULA. The agency does have figures on that.

Senator PELL. You must have an estimate, because one always notes what the opposition is doing, or should.

Mr. KRISTULA. There are 3,445 students from Latin America going to the Soviet Union, and another 2,245 going to eastern bloc countries, for a total of 5,690 students from Latin America.

Senator PELL. And of the 3,800, how many are from South America?

Mr. KRISTULA. You are talking about to the United States?

Senator PELL. No; that we are sending under our exchange program. How many come from Central America to the United States?

Mr. KRISTULA. We have that. We only had 31 from the Caribbean Basin, in the last academic year, which would include Caribbean countries as well as Central America. For all Latin America there were 324 academic grantees.

Senator PELL. Then, in other words, just doing rough arithmetic here, the Soviets, for every one we take to America, they have 200, approximately.

Mr. KRISTULA. However, we took most of the Latin American countries, not just Central America, going to the Soviet Union.

Senator PELL. So how many go from Central America to the Soviet Union? In other words, if 31 go in this direction, I am trying to figure out what the proportionate difference is.

Mr. KRISTULA. Well, it is a disproportionate number. From the Dominician Republic 215 went to the Soviet Union, 40 from Guatemala, 20 from Haiti, 115 from Honduras, just to give you a sampling.

Senator PELL. Well, that is already more than 10 times as many as we do.

Mr. KRISTULA. Yes.

Senator PELL. So does this not concern you, this disproportion, because a lot of students coming here from Central America pay their own way, and what you have is the youngsters who go back are either from middle income or rich, while the poor kids are in general getting their opportunity for education in the Soviet Union and the Soviet bloc, and that means you have a class difference as well when they come back.

Mr. KRISTULA. I don't think we can just count students coming to this country. There are many students who attend our binational centers, who not only learn English, but also learn about democratic principles and about our society here in the United States. They come into direct contact with visiting Americans as well as cultural programs which are carried on at these centers. There is a tremendous amount of contact, a tremendous amount of activity with students and with those who will be directed toward the United States or oriented toward the United States because of these programs.

Senator PELL. But one thing that always strikes me when I travel, and my own recollections from when I was in the Foreign Service is that there is no impact like that when someone from an-

other country actually comes to the United States and is here for a year, or a half a year, or 2 years. He goes back with an impression that lasts him for his lifetime.

I have seen these cultural centers. I can remember I used to try to run one once upon a time. But it has nowhere near the impact. So I would think, but I am trying to—well, I am curious. I would think you would share Ambassador Kirkpatrick's concern and my concerns and the concerns I have even heard the President of the United States express.

Mr. KRISTULA. I should mention also the USIA is involved in the youth exchange program.

Senator PELL. My question to you is, Do you share those concerns or not?

Mr. KRISTULA. Yes.

Senator PELL. If you do share these concerns, why is the administration proposing to repeal my amendment, which would double the American exchange program by fiscal 1986? Also, why has the administration proposed reduced funding for traditional exchanges for fiscal 1984 at a level even lower than in 1983?

Mr. KRISTULA. I can only refer back to what the Director testified, that he has various priorities, and he has these priorities to allocate his funds accordingly.

Senator PELL. Well, Project Democracy is a brandnew program, and that presumably is not proved one way or the other. These others are proved. My hope and belief and trust is that we will continue to achieve the objectives of our amendment which, as you know, would double the number of exchanges by the end of 1986. Maybe we can do the other things, too. But I would hope we would increase funding for exchanges.

Now, another question to you, Mr. Kristula. Do you have any objection to an amendment requiring that all end-use recipients of USIA money be so notified so they know they are getting it, and a list of those end-use recipients be publicly available?

Mr. KRISTULA. No; I do not have any—you say, do I have any objection?

Senator PELL. Do you have any objection?

Mr. KRISTULA. No.

Senator PELL. Good. Thank you very much.

Now, Mr. McPherson, there have been press reports that AID might get in the same position they did in Vietnam, when they sent our people into troubled areas, similar to the CORDS program, which you may recall, that we ran in Vietnam. What preparations are you making along these lines, or are my worries groundless?

Mr. MCPHERSON. Senator, I welcome the opportunity to talk about that but if I may, for a moment, I would like to go back to your earlier question concerning training. I share your strong conviction that training is an integral part of what we should be doing abroad. There is hardly a developing country in which one does not find a minister who has had U.S. exposure in connection with some U.S. Government, AID or USIA program.

In the decade of the seventies, we began to cut back. The amount of training was dramatically decreased, and in effect we missed about half of a generation, if you will, of some of the people that should have received such training.

Consistent with that concern at AID, in the last year and a half we have substantially increased training. I do not have the exact figures here broken down for Latin America and the Caribbean, but they are larger, including $7.5 million of additional money that was passed last year as part of the CBI. Worldwide, funding for training is dramatically increasing. We have in process a strategy paper on how to continue that push upward. In places such as Africa, training is probably one of the very best things that we can do, and we are strongly committed to that.

Let me return to your question concerning the development program to which the Washington Post and the New York Times in the last 48 hours have made reference. Those newspaper articles, particularly that in the Post, represented the program as they understood it, but substantially different that what I believe to be the case.

This program of restoration and enhancement of public services is a program which is focused on 2 of the 14 departments in El Salvador. These two departments, which are in the central eastern part of the country, are fairly important overall in the country. There is substantial guerrilla activity in those two departments which are also fairly well populated.

What the El Salvador Government is proposing and we are discussing with them, is an enhancement or a targeting of some of the efforts that are already underway, such as in land reform, health, employment, and food, under the direction of El Salvadoran personnel.

There is no evisioning whatsoever of U.S. AID American nationals working in those departments, extensively monitoring and working with the program. It is really dramatically different than the CORDS program, for two reasons. One reason is that it is the El Salvadorans focusing what they now have going, and the second reason is that we have not been asked and we do not expect to have any real American physical presence involved in this program.

Senator PELL. So you do not plan to send individual AID people out to villages and that sort of thing?

Mr. MCPHERSON. We do not, sir.

Mr. REICH. We will not be sending AID people to the villages to live. We have people going out into the field to monitor and review programs.

Senator PELL. Based out of San Salvador.

Mr. MCPHERSON. To live and work in the villages is just not the way we are structuring this program. We have to monitor it, but that is not at all the way that it has been discussed in other forums.

Senator PELL. Are there plans to increase the number of U.S. AID personnel in El Savador?

Mr. MCPHERSON. We do not have any plans at this time. These numbers go up and down a little bit, but we do not have any plans for dramatic increases.

Senator PELL. In other words, you do not see them being increased by 50 percent next year or anything like that?

Mr. MCPHERSON. No. As a matter of fact, we only have 21 American personnel there now, and we do not have any plans for a dra-

matic increase. It may be that with additional funds we would have a few more.

Senator PELL. Good. Thank you very much, and may the record show my appreciation to the chairman for permitting me to have this opportunity to get my questions in.

The hearing is adjourned.

[Whereupon, at 5:51 p.m., the subcommittee adjourned, subject to call of the Chair.]

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